



## NEWS: INTERNATIONAL

# EU steel industry moves to next phase of battle

The spotlight will now shift to the non-aided steelmakers, writes Andrew Baxter

Europe's steel industry, battered by recession and deep-seated structural problems, moves into a new stage in its fight for survival and long-term prosperity this week after the resolution of a series of wrangles over state subsidies.

During the past year, subsidised steelmakers and their spokesmen have lobbied vociferously from the sidelines as the European Commission struggled to win approval from member states for a package of deals to end state aid.

Now, with industry ministers unanimously agreeing in Brussels on a deal involving some 5m tonnes of capacity cuts by state-aided producers, the spotlight shifts onto the non-aided steelmakers.

To fulfil the Commission's target of reducing overcapacity by 30m tonnes a

year of crude steel, they would have to offer capacity cuts of 25m tonnes. Judging by the anger and sharp words following Friday's meeting, the cuts are unlikely to be handed to the Commission on a plate.

Some of the non-aided sector's planned cuts are already known. But most private-sector companies have held back from offering cuts until the state subsidy cases were resolved. The stance of the unsubsidised companies, therefore, is now crucial to the success of the entire initiative to restructure the industry. Unless overall capacity is reduced, the industry will have failed to address one of its fundamental structural weaknesses. The private sector,

however, is deeply worried by Friday's deal and questions whether it will resolve the industry's long-term problems, whatever cuts in capacity are offered.

Mr Ian Rodgers of the British Iron and Steel Producers' Association says: "All the way along the Commission was looking for the easy way out, rather than the most stringent solution consistent with the Treaty of Paris."

The Commission and the industry ministers said that ending subsidies was the only way to secure a healthy EU steel industry. But by operating in the way it did, says Mr Rodgers, the Commission had failed to send the signal that countries

could never come back with a begging bowl if a steelmaker gets into trouble. The industry's disappointment was shared by independent observers. "The nettle has not been grasped," says Mr Steven Randall of Beddows & Co, the London-based steel consultants. "Private-sector companies will survive for the foreseeable future."

There are two reasons, however, why the non-aided steelmakers are likely to come up with some or all of the capacity cuts, even though the Commission cannot force them to do so.

First, Mr Martin Bangemann, the EU's

industry commissioner, warned on Friday that other elements of the Commission's rescue plan, such as Ecu240m (£183m) to help pay for redundancies, and safeguards to limit imports from eastern Europe, would be withdrawn if unsubsidised steelmakers did not volunteer capacity cuts.

Secondly, steelmakers are realistic enough to accept that whatever their feelings, the subsidies agreement is now set in stone. By deliberately withholding capacity reductions in a declining market, the industry could be cutting off its nose to spite its face.

Mr Peter Fish, managing director of the Sheffield-based Meps Europe consultancy,

says: "I think steelmakers will go along with the plan, albeit reluctantly, but whether the capacity cuts will be as deep as they might have been is a different question."

There is also concern about where the cuts will come from. Achieving a 30m-tonne reduction would require about 10m of cuts on top of the 10m-11m already indicated in Germany and France.

But Mr Fish believes this will come more from the long products sector, where reducing heavy overcapacity does nothing to help the flat products producers. "I don't see large integrated producers closing strip mill production plants, maybe a couple of plate mills and associated melting shops will close."

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## Italians face tough task, says Savona

By Robert Graham in Rome

Mr Paolo Savona, the Italian industry minister, has warned that the country's steel industry faces a tight timetable to comply with the agreement reached last week by EU ministers to cut steel capacity.

The warning comes in spite of Italy obtaining a better deal than had been expected.

Government subsidies to the state-dominated steel sector and Italy's consistent refusal to reduce capacity has been the most serious source of friction on industrial policy between Rome and Brussels for more than three years.

The agreement, endorsed last Friday by EU industry ministers, involved Brussels accepting that Iva, the Italian state steelmaker, envisages a reduction of 2m tonnes in overall Italian steel capacity. The concession accepted by Brussels was that this cut be spread between the state and private sector instead of wholly on Iva.

The EU ministers also accepted that L500bn (£193m) in tax credits for Iva would not be treated as subsidies.

Though pleased at being able to keep alive a third production line of flat products at Iva's Taranto complex, the biggest steel works in Europe, Mr Savona warned Italy was under tight surveillance. The first inspection of a special monitoring commission would be in March.

If the timetables were not met and Italy failed to proceed with its planned privatisation of Iva, the agreement could unwind. There would then be no further opportunity for the EU to endorse a state-aided solution to the losses in the steel industry.

The Italians also said they would watch the position of the British and Danish governments which have pledged to place the deal before their

The EU agreement on steel restructuring, once formally approved, paves the way for two other separate agreements, writes Andrew Hill. One is on a new structure for aid to the Union's coal industry, due to come into force on December 31, and another on the directive opening up competition in the oil and gas exploration sector. Before the steel pact was struck, Italy had been holding up these other two proposals in an attempt to persuade Germany to agree on the steel package.

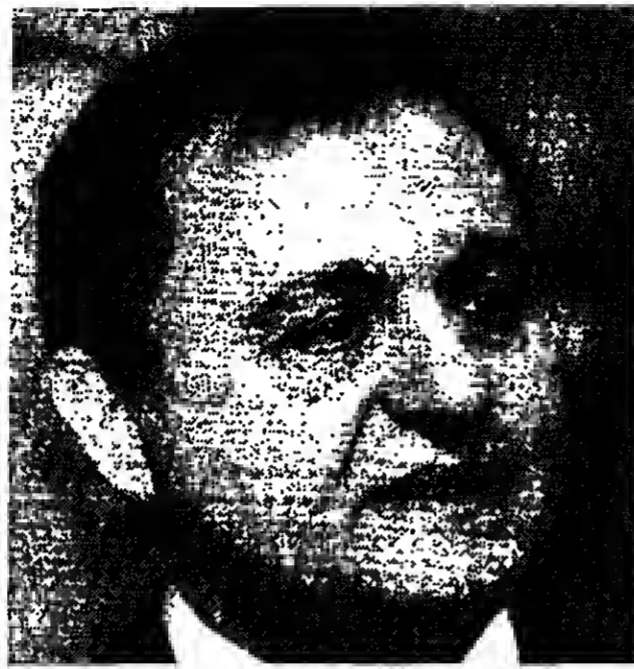
respective parliaments.

The agreement paves the way for Iva's privatisation, with the group being split into two - one for flat products, the other for special steels. Mr Savona said he expected that Iri, the state holding and Iva's proprietor, should obtain L4,100bn from the sale, due to be completed by the end of 1994. In tandem with the privatisation process, the government now has to address the problems of several loss-makers in the private sector and establish how at least 500,000 tonnes of annual capacity is to be cut. Mr Savona said that some 3m tonnes of steel was being produced by companies with problems.

The government's problems with Iva's workforce and especially its sub-contractors are also unlikely to be resolved easily.

Between 10,000 and 12,000 jobs are expected to be lost at Iva, over a quarter of the workforce. The Bagnoli plant at Naples has been closed for two years but occupied for most of this time by workers hoping the plant could be saved.

At Taranto 170 workers employed by sub-contractors forced the plant almost to shut down on two days last week.



PAOLO SAVONA, THE ITALIAN INDUSTRY MINISTER

"This is a good result of our discreet Italian approach. I don't think a government in the future will change the agreement. If we violate it we would have to leave the EU"



MARTIN BANGEMANN, EU INDUSTRY COMMISSIONER

"The ball is very much in the court of the private steel industry. If the industry doesn't take a decision, and we can't force them to, then that is the end of the plan"



TIM SAINSBURY, THE UK INDUSTRY MINISTER

"Most of the package would involve an element of privatisation. In all three cases we are moving towards privatisation and there will be much fairer trading for steel"



KAREL VAN MIERT, EU COMPETITION COMMISSIONER

"We have accomplished one piece, but we are far from finished. When you have to discuss state aid cases and you have to get unanimity, you can forget about it"

## Steelmakers under Brussels microscope

By Andrew Hill in Brussels

After a year of acrimony, agreement last Friday set the seal on total aid of Ecu6.791bn (£5.17bn) for subsidised steel companies in Germany, Italy, Spain and Portugal. But it heralded a period of tough monitoring by the European Commission.

The subsidised companies will be cutting capacity of more than 5m tonnes, but virtually every step they take will be watched. If the Commission decides its conditions are not being respected, it could demand suspension or even reimbursement of subsidies.

The four member states will have to send the Commission reports at least twice a year on the producers concerned, covering everything from production levels to financial performance. In particular, companies will have to prove that any investment which increases steel capacity is not being financed by state aid.

Ministers agreed to write

into each decision a clause stressing that if the company concerned does not return to profitability, further state subsidies will be turned down. Ministers also agreed to make a "firm commitment to avoid any further Article 95 derogations in respect of aid for any individual companies."

Article 95 allows the European Union to exempt subsidy plans from the outright ban on subsidies contained in the Treaty of Paris, on which the European Coal and Steel Community is based. As Commission and national officials admitted on Friday, the political declaration limiting aid will not be legally binding. Until the Treaty of Paris expires in 2002, governments will still be able to demand exemption for state subsidies: the implication, however, is that the Commission will be tougher next time in enforcing the treaty's ban on state aids.

Friday's meeting reached unanimous agreement on six separate proposals, making up

European steel capacity cuts*			
Company	Country	Aid (m Ecu)	Reduction ('000 tonnes)
SIDENOR	Spain	515	439
CSI	Spain	2,817	2,300
FREITAL	Germany	140	160
EKOSTAHL	Germany	428	482
ILVA	Italy	2,585	2,000*
SIDERURGICA NACIONAL	Portugal	306	140

\* EU cuts agreed for state-aided sector

\* Based on 1.2m tonnes of cuts at Iva's Taranto plant, 500,000 tonnes at plants owned by the eventual buyer of Taranto, and 300,000 tonnes in the Commission's original figures for Iva's dormant Bagnoli plant.

Source: European Commission

the largest package of state aid for the steel industry since the crisis of the 1980s. These were the main conclusions: Iva: the state-owned Italian producer will cut 1.2m tonnes of annual production at its Taranto plant, and the buyer of Iva's flat products business will close a further 500,000 tonnes elsewhere - although the product area is not specified as the British industry has pointed out.

No figure has been put on the capacity to be cut at Bagnoli, a dormant hot strip mill which will be shut down for good. In the Commission's original figures Bagnoli accounted for 300,000 tonnes, but Italy always argued it was worth more. Bagnoli must still be closed but in the final document the figure for capacity reduction has been left blank. Ekostahl: The UK and Denmark were worried about the

restructuring of the east German producer and at one point it looked as though Denmark might block an overall deal, on the grounds that steel from Ekostahl would compete directly with a non-aided Danish plant. In the end the two countries won key amendments to the deal. Production at the company's new hot strip mill will be limited to 900,000 tonnes a year until 1999. For the five years after that, according to the Commission, it will be limited to "significantly below 2m tonnes."

Mr Tim Sainsbury, the UK's industry minister, was more precise about the figure. On Friday he said he had won a commitment from the Germans that Iva - the Italian company which is bidding to buy Ekostahl - would limit annual production to 1.65m tonnes up to 2004.

Mr Melchior Wathelet, the Belgian industry minister who chaired the meeting, stressed that new production during the first five years would be used

"exclusively for further processing in Ekostahl's cold rolling facilities". He also said that 1.65m tonnes represented the capacity of the cold rolling facilities at Ekostahl.

CSI: The Spanish industry minister, Mr Jose Manuel Eguigure, managed to persuade his counterparts that the flat products plant at Añis, near Bilbao, would close at the end of 1995, instead of the middle of 1996 as originally agreed with the Commission. However, he signed up to a text which said CSI would do its best to close the plant earlier.

Deals involving Siderurgica Nacional in Portugal, Freital in Germany and Sidenor in Spain completed the package.

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By Andrew Taylor, Construction Correspondent

Two of Britain's and France's largest construction companies are leading rival consortia which have been short-listed to bid for one of Europe's largest private infrastructure projects.

Trafalgar House of Britain and Bouygues of France are competing to build the £500m privately-financed toll road bridge across the river Tagus

close to the Portuguese capital, Lisbon.

French and Portuguese authorities established good relations during the recent Gatt trade negotiations when both countries adopted similar policies on agriculture.

Trafalgar House, however, is understood to have stressed in negotiations that its consortium commands a higher proportion of independent Portuguese companies than the Bouygues-led bid. Trafalgar

holds just under 25 per cent of its Lusophone consortium. It also has a French partner, Campenon Bernard, which holds a similar stake. Five Portuguese companies own the remaining 50 per cent.

Bouygues's bid is supported by Dragados, the Spanish construction company. Both groups are understood to have stressed the importance of their local Portuguese operations. The contract is viewed as an important poten-

tial stepping stone to other projects as European countries increasingly look to private companies to finance developments which previously would have been funded by the public sector.

Bouygues and Trafalgar House have led the way in building private infrastructure projects in their own countries.

The concession to operate the new bridge, due to start operating in 1998, is expected

to run for 30 years. Contracts are expected to be signed with the successful bidder by March. The two consortia have been short-listed from an original list of six bidders. The 18km toll viaduct and cable bridge proposed by Trafalgar would become part of the city's northern regional highway system.

Financial backing for Trafalgar's bid comes from five Portuguese financial institutions and 11 international banks.

## Kiev claims preliminary pact on compensation for arsenal

# Ukraine nears nuclear deal

By Jim Borsch in Kiev

The Ukrainian government said at the weekend it had reached a preliminary agreement with the US and Russia on the "idea of compensation" in exchange for Ukraine's relinquishing of its nuclear arsenal.

There was no confirmation of the deal yesterday in Washington or Moscow. However, Mr Al Gore, US vice president, said in Budapest at the weekend that "all sides will tell you that progress is being made."

If a concrete agreement on financial compensation for ure-

num is worked out in subsequent talks, it would remove one of the three main conditions Ukraine has imposed for giving up its remaining 176 strategic missiles and becoming a non-nuclear state.

Kiev's other two demands are technical aid for dismantlement and security guarantees.

Ukraine's presidential foreign affairs adviser, Mr Anton Butenko, also reported in an interview with the Financial Times that during trilateral talks, which lasted until midnight, experts were finalising agreements on technical assistance and progress was being

made in negotiations on guarantees.

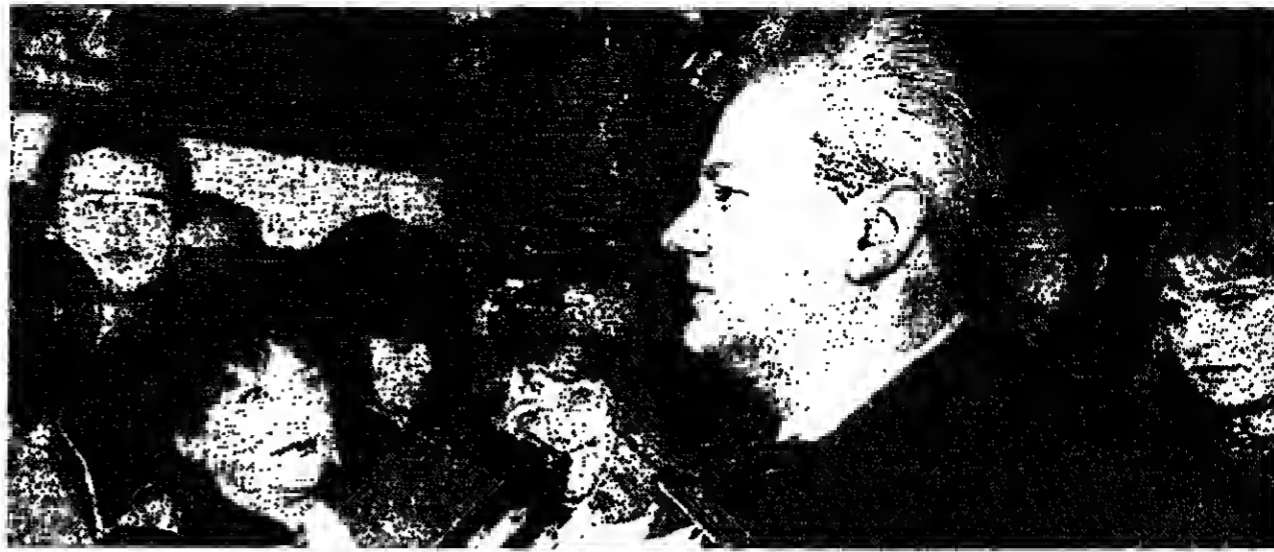
According to the government press service, Mr Valery Shmarov, deputy prime minister, said: "The idea of compensation for tactical weapons was accepted." He was referring to the 2,760 short-range nuclear warheads Ukraine transferred to Russia last year. Mr Shmarov hoped that compensation for these warheads would offset Ukraine's \$2.5m energy debt to Russia.

"As part of compensation for strategic weapons, agreement was reached to supply uranium for Ukrainian nuclear power

stations for five years."

Trilateral discussions between the US, Russia and Ukraine have been going on since early autumn. Ukraine's announcement followed two days of talks on Thursday and Friday.

Kiev's public posture seems to be an attempt to take advantage of the west's possible new sympathy for Ukraine's security concerns in the wake of the nationalist victory at the Russian polls. While the west is reassessing its relations with Russia, Ukraine may be hoping to create some rapid momentum to get the best deal it can.



Serbian President Slobodan Milosevic, left, and his wife, Milica, are struggling to retain votes at a Belgrade polling station yesterday. His ruling Socialists, writes Laura

Silber in Belgrade, are struggling to retain power amid economic collapse in the sanction-bound country. Yesterday's par-

liamentary elections, the third in four years, were widely seen as a popularity contest for Mr Milosevic.

## Budapest storming towards Christmas

By Nicholas Denton in Budapest

East Europeans had a word for it in the bad old days of the command economy: "storming", the frenetic effort to fulfil plan targets in the last days of a month or year.

Some things do not change. In this week before Christmas, investment and common-garden bankers, executives, lawyers and brokers are racing to beat deadlines as breathlessly as communist-era coalminers and steelworkers ever did.

Lawyers are pulling all-nighters at Baker & McKenzie. "You can cut the atmosphere with a knife," says Mr Peter Magyar, partner at the law firm. "Everybody is just incredibly tense."

The Kempinski, Budapest's premier hotel, crawls with "stormers" desperately trying to complete deals in time to get away for Christmas or at any rate before the new year.

So what is going on? The capitalist financial year is proving as hard a taskmaster as the communist plan period and, in age-old Hungarian fashion, everything has been left again to the last minute.

Hungary's generous investment incentives giving five-year tax holidays expire on December 31. So privatisers, foreign buyers and their advisers are trying to rush through transactions before the new year. "I've never had so many deals going on at the same time," says Mr Peter Kadas of investment bank Credit Suisse First Boston.

The privatisation timetable for Matav, the Hungarian state telecoms company, is so tight that participants call it insane. "I wish they would learn that Christmas is the season for relaxation," says Mr Ed Matix of US West, one of the telecoms companies bidding.

Hungary's bankers too are busy preparing for extraordinary general meetings next week at the three largest, and deeply troubled, commercial banks. Shareholders have to agree to the terms of a government bail-out to restore their capital before closing the 1993 accounts.

Not everyone is storming, however. Most Hungarian manufacturers close down over between Christmas and the New Year and factory workers can take it easy. The communists had another expression: capitalist exploitation. This is capitalism. But who is exploiting whom?

## South's oil-rich infants vulnerable to Moscow bullying

Popularity of neo-fascist Zhirinovskiy increases Russian threat to republics, writes Steve LeVine

The southern belt of the former Soviet Union and its infant petro-economy is perhaps the most vulnerable of Moscow's neighbours to a more aggressive foreign policy. The region, from the Black Sea to China's western border, seems threatened on various levels by the resurgent Russia promised by the Liberal Democratic leader, Mr Vladimir Zhirinovskiy, whose neo-fascist party won a large bloc of seats in parliamentary elections just over a week ago.

Among the worries south of Russia is the threat of aggression by the south's ethnic Russian population which, according to incomplete returns, supported Mr Zhirinovskiy in equal or even larger numbers than he received overall at home.

The backdrop to the anxiety



is that, while much of the region may manage to assert itself once its oil and natural gas industries develop, the south still manages little resistance to Moscow's political and military dominance. Even before the election, an aggressive Moscow had reclaimed rights in Azerbaijan's rich offshore oilfields, Georgia's strategic Black Sea ports and Tajikistan's mountainous buffer zone against radical Islam.

The first signs of trouble have already appeared in the eight-nation region (Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, Armenia, Georgia and Kyrgyzstan). In Kazakhstan, Mr

Zhirinovskiy's birthplace, which like Ukraine has a large ethnic Russian population, a nationalist Slavic group called Lad (Concord) adopted some of Mr Zhirinovskiy's ideas at a political conference last Saturday. The conference, held in the Russian-dominated northern city of Pavlodar to prepare for the republic's

March 7 parliamentary elections, approved a platform including the establishment of a joint army and open borders with Russia, a return to the rouble zone, and the legalisation of dual citizenship.

Mr Valery Galevko, head of Pavlodar's leading Russian-speaking association called the Slavic Community, says Lad also plans alliances with local ethnic Germans, Tatars and Chechens, to oppose what it considers Kazakh discrimination. "We need dual citizenship to restore the destroyed Soviet Union," Mr Galevko says.

Lad's declaration may be only the beginning of the republic's ethnic problems resulting from the elections. "When a neighbour's house is burning you cannot stay quiet," says Mr Manash Korybaev, a historian in the Kazakh

capital, Alma-Ata. "Russia is not burning yet, but there are those who want to set it on fire."

Kazakhstan is also insecure economically. Although one day it will be wealthy from its huge oil resources, today it is entirely dependent on Russia to refine and transport its oil.

All of central Asia is vulnerable to Moscow to some degree. Russian forces, for example, are the conspicuous military backbone across central Asia's southern border with Afghanistan and Iran. Some 6,000 Russian officers supervise Turkmenistan's fledgling army. Ninety per cent of Uzbekistan's military officers are ethnic Russians. And Tajikistan is completely dependent on a more than 25,000-strong Russian force to protect its southern and eastern frontiers

against a radical Islamic-led opposition.

The same predicament is faced in the Caucasus. Before agreeing grudgingly to join the Moscow-dominated Commonwealth of Independent States, Georgia and Azerbaijan reached the brink of disintegration in wars that were armed and, according to an abundance of evidence, encouraged by forces in Moscow.

Azerbaijan now seems likely to face even greater pressure to succumb to Russian demands for a 20 per cent stake in a British Petroleum-led consortium that has negotiated rights to exploit 4bn barrels of offshore oil. Moscow also wants Baku to abandon the idea of shipping its oil through Turkey, a step that would strip Russia of its leverage as Azerbaijan's sole distribution point.

### NEWS IN BRIEF

## VW agrees Seat restructuring plan

Volkswagen said its supervisory board approved a restructuring plan for its loss-making Seat subsidiary in Spain after an extraordinary meeting on Saturday, Reuters reports from Berlin. Volkswagen said that it would spend about DM1.3bn (\$780m) on measures at Seat by 1995, including DM575m in 1993. The company also plans a capital injection of DM1.5bn. Seat's work force would be cut by about 9,000 from 22,400.

## Military resignations hit Greece

Greece's Socialist government faces an awkward task in replacing 35 high-ranking military officers who resigned at the weekend in protest at the recall of four retired officers to head the general staff, writes Kerin Hope in Athens. The country's military command structure has been virtually wiped out by the mass resignations, which included a dozen lieutenant generals and all but one admiral serving on the naval command council. The officers are reportedly reluctant to serve under the ageing commanders appointed last week because of their close ties with the governing Panhellenic Socialist Movement.

## Romania wins no-confidence vote

Romania's minority government has hung on to power after narrowly winning a no-confidence motion lodged by pro-reform opposition parties, reports Virginia Marsh in Bucharest. After 13 hours of debate, the motion was overturned by 236-223 late on Friday, with 25 MPs not voting. It was the opposition's fourth no-confidence motion this year, but the first based on exclusively economic grounds.

## Finnish exports worry France

France has expressed concern to Finland about increased Finnish forestry exports to the French market, a Finnish foreign ministry official said yesterday. Reuters reports from Helsinki. The French also voiced hope in a diplomatic note that the matter could be settled in a way that did not affect Finland's negotiations to join the European Union, Mr Antti Satuli, general director for external economic relations, said.

Foreign trade minister Mr Pertti Salolainen said he took the French note "very seriously". "There is a possibility that if we can't reach an agreement it might complicate the membership negotiations."

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Washington upset at fall  
in sales of semi-conductors

## US seeks chip talks with Japan

By Nancy Dunne  
in Washington

The US will request special consultations with Japan over falling sales of US semi-conductors in the Japanese market.

With the Uruguay Round negotiations mostly behind them, US officials expect to focus on the thorny trade relationship with Japan, including the failure of Japanese companies to reserve at least 20 per cent of the Japan semi-conductor market for imports, as specified under the 1991 Semi-Conductor Arrangement.

According to Miss Charlene Barshefsky, deputy US trade representative, the foreign market share for the third quarter of 1993 is believed to have fallen to about 18.5 per cent, down from 19.2 per cent during the second quarter and 20.2 per cent in the first quarter. US and Japanese officials are to meet this week to evaluate the numbers.

In the special consultations, the US will present "a variety of steps which we believe they can take to rectify the situation," said Miss Barshefsky, in a speech last week she

said the area of greatest US concern was a proposal by the Japanese Cultural Affairs Ministry to permit a broad right of reverse engineering of computer software.

"This is not the law in the US; this is not the law in Europe. Any attempt to embark upon this course, which has very serious implications for our software producers and for US creativity and ingenuity in this area, would be met with great seriousness on the part of the US," she said.

She indicated dissatisfaction with the results of a bilateral agreement on Japanese government procurement of super computers. US super computers have won a few contracts but mostly when they were in partnership with Japanese companies or the US bids were unopposed.

Miss Barshefsky also called into question Japan's commitment to ease foreign access to its cellular telephone market. It had agreed to develop an analogue cellular system in the Tokyo-Nagoya corridor which would then be supplied by foreign cellular telephone producers.

## Chinese warn Britain on business prospects

British companies will continue to lose out in competition for business in China unless Hong Kong governor Chris Patten backs down and shelves his democratic reforms, the governor of China's Guangdong province has said, Renter reports from

Guangzhou. "Patten terminated Sino-British talks by adamantly submitting his political reform bill to the Legislative Council, so of course he has to be held responsible," Mr Zhu Shenlin told Hong Kong reporters on Saturday, in comments similar to those he has made in the past.

"It needs the one who tied the bell to muffle it," Mr Li Ziliu, Guangzhou's mayor, earlier said most British companies had been excluded from an underground railway project in the town because of the row over Hong Kong.

His comments have prompted British business officials to warn that by proceeding with this stance China risked damaging its international trading standing. They said such action would not help Beijing's efforts to join global trading treaties such as the General Agreement on Tariffs and Trade.

## Correction Gatt

The Financial Times of December 16 incorrectly quoted Mr Nikolaus Böhmcke, secretary general of the European Banking Federation, as implying that financial services and shipping had been excluded from the Uruguay Round agreement on global trade liberalisation. In fact, both sectors are included in the agreement. Further talks are continuing to settle outstanding differences in these areas.

# Hanoi hardliners put reform under threat

Iain Simpson sees stumbling on the path to market economy

As Vietnam begins to count the rising social cost of its gradual transition to a market economy, there are renewed calls within the Communist party for reform to slow down.

At the current session of the Vietnamese National Assembly (parliament), deputies - almost all of whom are also party members - are engaged in a heated debate on the direction and speed of economic reforms.

For all the talk of reform and more openness in Vietnam, the assembly session is strictly off-limits to outsiders. However, sources in the assembly and other observers say the debate is focusing on the "social evils" of corruption, unemployment and the growing gap between

rich and poor in Vietnam.

Deputies from the more conservative wing of the party argue that these problems are a direct result of the country's gradual transition to a market economy. They say the process must be slowed down so the government can again take control over the economy and institute some kind of social welfare for people who have suffered under the reforms.

Foreign observers say these arguments are gaining ground from reformists, who say social problems such as these are caused by trying to straddle two economic systems. They say the sooner the government abandons the remains of a centrally planned system, the sooner it will be able to deal

with these problems.

None of the social problems being debated at the assembly is solely the result of the government's reforms. However, many have appeared or got much worse since they were introduced in 1986.

More than 2m people are jobless out of a working population of about 54m, and at least 5m more are seriously underemployed.

This high rate is a result of both domestic and international changes. State factories which have been forced to close because they cannot compete have laid off tens of thousands of workers. Meanwhile, several hundred thousand were put out of

work when the army withdrew from Cambodia in 1989.

Others were working in the formerly communist countries of eastern Europe and were sent home after those regimes collapsed. Still others were farmers who fell victim to the dismantling of agricultural collectives in the north.

Nevertheless, some conservative party members have argued that because unemployment first appeared after the reforms were instituted, they caused it, and rolling them back would solve the problem.

Corruption, another subject of debate, is endemic. A year-long government campaign has produced hundreds of examples of graft among senior and junior officials but the Interior

Vietnamese Prime Minister Vo Van Kiet has demanded tougher penalties against corruption, saying Hanoi must win back the people's confidence as waves of graft and money-worship sweep the country, Renter reports from Hanoi.

Mr Kiet said Hanoi would strengthen anti-corruption laws in 1994 and 1995 and would launch a "large campaign" to dissuade government departments from luxury spending, the official Vietnam News Agency reported.

"The situation has become so serious that it should be prevented and driven back by the efforts of the government and the active participation of the whole society," the agency quoted Mr Kiet as telling parliament on Saturday.

Minister, Mr Bai Thien Ngo, has already told the National Assembly that the effort to curb corruption has failed.

The debate in the assembly appears to have grown out of concern that, if they are left unchecked, the growing wealth gap, rising unemployment and widespread corruption could lead to social unrest.

Reformers argue that if the government can create jobs

through foreign and domestic investment and continue its efforts to check corruption, unrest can be avoided.

However, the conservatives continue to say that unless more central planning government control are reintroduced, there could be a descent into chaos. In the current political atmosphere of Hanoi, their arguments carry a great deal of weight.



Burmese and Japanese carry banners and portraits of Burmese Nobel peace prize winner and opposition figurehead Aung San Sun Kyi during a protest in Tokyo yesterday against her long incarceration by the Rangoon regime.

## Debts hamper poor states' recovery

By Michael Holman

Heavy debt repayments to the IMF and World Bank by the world's poorest countries are holding up their recovery and the loans should be rescheduled or written off, says a report published today.

The report, by the British charity Oxfam, calculates that debt repayments to multilateral creditors by 19 "severely indebted, low-income countries" now account for 30 per cent of their debt service payments. This is "more than double the level a decade ago".

Most of the countries are in Africa. Payments to the IMF represent a "special problem", according to the Oxfam analysis, "since they have outstripped the provision of new finance by some \$2bn since the mid-1980s".

The report proposes a new issue of Special Drawing Rights by the Fund geared specifically to debt reduction, and the sale of 10 per cent of the IMF's gold stocks to finance a debt write-off for the world's poorest countries.

The paper takes Uganda as an example of the group's predicament. Scheduled repayments on the country's debt for 1992-93 came to \$173m, more than 80 per cent of export earnings. Actual repayments amounted to less than half. Of these, about 50 per cent went to multilateral creditors, mainly the IMF and the Bank.

By 1997, when repayments on a IMF structural adjustment loan fall due, almost a third of Uganda's debt service commitments will be to the Fund. The Oxfam paper also warns that Africa's overall debt crisis is deepening, with the debt stock tripling over the past decade. The charity calls for the immediate adoption of the Tróika Terms, which allow for between 66 and 80 per cent write-off of Paris Club debt owed to official, bilateral creditors. It blames "resistance" by the Japanese government and general "indifference" among creditors for the delay in adopting the terms.

\*Uganda: Debt as an obstacle to recovery, Oxfam, 274 Banbury Road, Oxford OX2 7DZ. Tel: (0865) 313131. Fax: 313117

## Algiers term extended

The mandate of Algeria's five-man presidency, which was due to step down at the end of the year, has been extended to January 31, the official news agency APS reported yesterday. Renter writes from Algiers.

The presidency, which is called the High Council of State (HCE), has ruled Algeria since the cancellation in January 1992 of a general election that the fundamentalist Islamic Salvation Front (FIS) party was poised to win. The FIS was later banned.

APS also said a long-planned national conference, designed to chart Algeria's path to

democracy after a transitional period expected to last two to three years, would be held on January 25 and 26.

Both announcements were made by the High Security Council, which is Algeria's highest constitutional authority, after a meeting yesterday.

The conference is being organised by a National Dialogue Commission, named by the HCE two months ago to forge a consensus on the country's political future.

Since the vote was cancelled, Algeria has been gripped by violence, blamed by the authorities on Muslim militants, in which 1,800 have died.

## Opposition has vowed to disrupt multi-party election

# Soldier killed during Guinea poll

Opposition militants protesting against Guinea's presidential election stabbed a soldier to death in the capital Conakry yesterday, the Interior Ministry said, Renter reports from Conakry.

Journalists said at least three civilians had been killed in clashes between supporters of the ruling party and the opposition, but ministry officials were not immediately able to confirm the reports. The opposition urged President Lansana Conté to postpone Guinea's first multi-party election, but when his plea fell on deaf ears it vowed to do all in its power to disrupt the poll. In which Gen. Conté faces seven opponents.

Witnesses said polling stations in Conakry's Hadia district were burned down on Saturday night and those in Sangaya and Cig-Madina were attacked yesterday morning.

State radio said voting was normal in the interior in the towns of Kindia, Koya and Boké, but there was no imme-

diated word from the mining town of Kankan, a bastion of the Guinea People's Assembly (RPG), the oldest opposition movement.

The centre of Conakry, a centre of support for Gen. Conté's Party of Unity and Progress (PUP), was calm.

Guinea has never had a real election since independence from France in 1958. Until he died in 1984, Guinea was run as a one-party police state by President Sekou Touré.

The Geneva-based Interna-

tional Commission of Jurists said last Wednesday it had cancelled plans to monitor the election because it was not satisfied with arrangements.

Vehicle traffic apart from essential services was barred in Conakry from midnight but residents said troops were out in force at 6pm.

Gen. Conté took over in a 1984 coup and only agreed to multi-party politics under foreign and domestic pressure. Scores of people have died in violence since May.

## INTERNATIONAL PRESS REVIEW

### India

In few other countries have demands for the scrapping of the Gatt accord been so loud as in India. No sooner had Mr Peter Sutherland declared the negotiations completed than Indian opponents of the agreement went onto the offensive.

They argued the ruling Congress (I) party had failed to defend India's interests, fearing that the accord would somehow deprive India's poverty-stricken farmers of subsidies and of the right to use their own seeds without infringing patent laws. The intellectual property rights clauses would also, it was alleged, rob India's poor of cheap medicines.

The Economic Times, the business daily, tackled these attacks head-on in its main leader on the Gatt agreement entitled "Informed objections". The paper said selfish propaganda by the domestic drugs lobby had fooled well-meaning people into regarding the Uruguay Round as "a western conspiracy to re-colonise India". Business Standard, another business daily, supported the view that attacks on the agreement were mostly born of ignorance. But it added there was genuine concern about India - India would have to wait 10 years before the Multi-Fibre Arrangement was phased out. "Here the politics of world trade, where India is a lightweight, worked against it."

The Pioneer took up the point, saying the bulk of the benefits of the accord would be shared by the US and Europe.

The dominance of the developed world in the talks was also forcefully taken up by the nationalist Indian Express. It argued in its leader that developing countries were being forced to follow economic strategies which benefit industrialised nations by providing markets for their exports. "Late starters in industrialisation are to be held on a tight leash through discriminatory patents and forced to import instead of building on their manufacturing



Balladur (left) and Chirac: who did better from the Gatt agreement?

capabilities."

The whole agreement reflects the overwhelming power of the US, feared the Express. "Gatt has become a coercive instrument for the promotion of the American interest." In the view of the Economic Times, such views are a distortion. It argued that the agreement would bring growth, trade and other benefits for India. "The issue is not India vs the World," it said. "But Producers vs Consumers."

### United States

The visiting senior editor from the Sacramento Bee was waiting in the White House press room on Wednesday to hear President Bill Clinton express satisfaction with the Gatt agreement. "There was a time when we could not get trade into the paper," he observed, "now we can't keep it out."

Certainly no trade agreement can have received the blanket coverage

accorded the Uruguay Round by the US press last week, with most twists and turns of the final negotiations clearly followed, backed up by charts, tables and histories of Gatt. It was more often than not the front page lead story, until ousted by Les Aspin's resignation as secretary of defence. Even television, rarely at ease with complex economic issues, gave it reasonably full treatment.

Editorially, most US newspapers have traditionally been overwhelmingly in favour of free trade. This week's leader headlines reflected this. "After seven years, a global gift" - the New York Times; "At last a hunk of the trade treaty" - the Los Angeles Times; "The world wins one" - the Wall Street Journal; "The big winner" - USA Today.

There was some marginal disappointment at what was not achieved. "It is much less than it could have been," said the Journal of Commerce; "It will not turn out

to be ideal... there are a number of disappointments," said the Washington Post; but near unanimity that the deal would have been disastrous (the individual provisions are much less important than its vibrant message," according to the New York Times).

Predictably, the Wall Street Journal found it hard to praise the administration ("It seems to be dawning on some people - including some former interventionists around the White House - that government is simply too slow and clumsy to manage trade") and was sharpest in criticising the EC resistance to more liberal trade ("The EC doesn't have a 'cultural identity', it has at least 12, even thousands.")

### France

Mr Jacques Chirac, mayor of Paris and member of parliament for Combs, is pictured on the front page of this week's Le Canard Enchaîné, the satirical magazine.

clad in farmers' clothes and grimacing at a newspaper that trumpets the successful conclusion of the Gatt negotiations.

"Gatt: Balladur's Successor," cries the newspaper headline. "Not" grows Mr Chirac, who has a plaid shirt tucked under his arm. "They still haven't dealt with the Cornille issue."

Other cartoons in Le Canard feature Mr Edouard Balladur himself, the mastermind of France's Gatt machinations and Mr Chirac's main rival for the conservative ticket in the 1995 presidential elections. "Chirac" is shown looking even sadder than usual.


The rest of the French press may have painted a slightly subtler picture than Le Canard's cartoonists of the political consequences of the Gatt affair, but the message was the same. The agreement has been billed in France as a triumph for Mr Balladur and a potential setback for Mr Chirac's long-held presidential ambitions.

"The Right Crowned Balladur" crowed the front page headline of Thursday's Libération, the liberal-left daily. "In eight months Edouard Balladur has made the best possible use of his parliamentary majority to exert his influence over Chirac and Giscard [the other conservative leader], while remaining popular," said an article entitled "The Modest Triumph".

Le Monde was even more laudatory. "The confidence that the French electorate put in Edouard Balladur was not misplaced," it said under the portentous headline "The Balladur Era".

The only cautionary note was struck by the conservative Le Figaro. "Mr Balladur has proved with Gatt that he is an exceptional manager of international crises," said its Thursday editorial. "It remains to be seen whether he will show the same talent for dealing with the problems of this country - rising unemployment and social unrest."

Reports from Stefan Wagstyl, Jurek Marth and Alice Rawsthorn.



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## 1980s 'bubble' has hit their reserves, study shows

# Japanese banks' loan woes

By John Capper, Banking Editor

Japanese banks are so underprovided against bad loans from the "bubble economy" of the late 1980s that they would be left only with "hidden reserves" of capital from holdings of securities if provisions were raised to the right level, according to a study of the profitability of 300 international banks.

The study by the European bank ratings agency IBCA finds that the aftermath of the late 1980s boom has left the Japanese banking system as the least profitable in the world outside Nordic countries.

Akita, the most profitable Japanese bank, is only the 107th most profitable in the world.

The study argues that Japanese banks remain "substantially underprovided" compared with banks in other big countries. It says that if they were correctly reserved against poor loans, they would need to have "accumulated provisions of

an amount equivalent to their current capital."

However, it acknowledges that Japanese banks - unlike those in other countries - can fall back on "hidden reserves" of undervalued securities holdings. It says their capacity to fund write-offs from these would be "threatened if the Tokyo stock market went into free fall once again".

The study, which calculates "real profitability" for banks by applying a common equity-to-assets ratio of 4 per cent and a common taxation rate of 50 per cent to each, finds that Banco Popular, the Spanish retail bank, is the most profitable in the world for the third year in succession.

Banco Popular is followed by Bangkok Bank and Hang Seng Bank, reflecting the high profits of banks in the Asia-Pacific region because of strong economic growth and the lack of sophisticated capital markets.

US banks, which have recovered strongly from problems in the late 1980s,

also feature prominently, providing 11 of the 20 most profitable banks. The US market is found to have the highest returns on equity, of 14.2 per cent, compared with a return of 3 per cent in Japan.

British banks achieved a varied performance, with Barclays dropping to 285th in the top 300 banks in terms of profitability from a peak of ninth in 1981, and Bank of Scotland dropping to 128th from 2nd in that year.

However, Lloyds Bank has risen to 25th from 125th three years ago.

The most profitable British bank is HSBC Holdings, which is 16th most profitable as well as 15th largest bank in terms of assets.

HSBC is the only one of the top 50 banks in terms of asset size to rank in the 20 most profitable, and seven of the most profitable are among the smallest 100.

Retail Banking Profitability 1993-94, Lafferty Publications, 10A Tower, Pearse Street, Dublin 2, Ireland; £399.

## Fox snaps up football from CBS

By George Graham, In Washington

Mr Rupert Murdoch's Fox Network has dropped a bomb on the US sports television map with a \$985m-a-year bid that has stripped American football broadcasting rights away from the venerable CBS network.

Fox, still viewed as an upstart among the US television networks with programming built around teenage soap operas and mildly salacious comedies, offered \$1.56bn (£1.06bn) over four years for the rights to broadcast Sunday afternoon games from the National Football Conference, the stronger of the two professional American football leagues.

The bid was 50 per cent higher than CBS paid for the last four years and is believed

to have been about \$100m a year higher than CBS was willing to pay.

CBS is now understood to have made an offer of more than \$265m a year for rights to broadcast games from the American Football Conference, the weaker league, but NBC, which currently holds these rights, may match the bid.

With ABC retaining the rights to a Monday night game for more than \$225m a year, and the ESPN and Turner Network Television cable channels paying about the same for a Sunday night game, the professional American football leagues are expected to reap at least \$4.2bn from television over the next four years.

Although American football games are widely watched, advertising revenues have not matched the high fees paid in recent years, although the

games provide an important lead into evening programming. CBS is estimated to have lost around \$100m on its NFL contract last year.

Mr Murdoch acknowledged Fox might lose money in the early years of the NFL contract, but said he expected to make money eventually,

adding that the deal would make Fox into a real network.

Other television sports executives, however, believe Fox is certain to lose heavily on the contract, and viewed the bid as a desperate attempt to prevent some of Fox's 138 affiliated stations from defecting to other networks.

## Contestants line up for Australian Treasury job

Nikki Tait on the rivals to replace Dawkins

The king is dead. God save the king. Barely had John Dawkins, the Australian treasurer, announced his intention to resign last Friday, than speculation over his successor began. By the weekend's close, two names were at the forefront of the running.

The first is Ralph Willis, the finance minister. The 55-year-old politician, whose parliamentary career stretches back more than two decades and exceeds even Mr Dawkins', has all the credentials. He has held his present job for three years, and even took the treasurer's position for a brief period in 1991, during the final days of Mr Bob Hawke's administration. No one doubts his technical expertise.

Moreover, Mr Willis was a research officer with the powerful Australian Council of Trade Unions before entering parliament, and his appointment would be unlikely to raise problems with the Labor party caucus. This may be an important consideration: Mr Dawkins had been heavily attacked by both the unions and the party's rank and file, who claimed that he cared more about the nation's budget

deficit than its double-digit unemployment rate.

But in contrast to the individualistic Mr Dawkins, Mr Willis is generally viewed as a "grey" politician, reliable but lacking in personal firepower. Whether this will appeal to Mr Paul Keating, the prime minister, is a moot point.

The second favourite contender, Mr Laurie Brereton, presents very different attributes. Unlike Mr Willis, Mr Brereton is viewed as one of Mr Keating's closest personal allies. Both were born into working-class Catholic families in Sydney and climbed the political ladder via the right-wing of the New South Wales Labor party. They have been friends and political associates since their teens. Mr Keating was best man at Mr Brereton's wedding.

But for most of his political life, Mr Brereton has played in the sometimes murky world of state politics. He did not move into the federal sphere until 1990, and his Canberra career only began to advance when Mr Keating took over from Mr Hawke.

After the last election, in March, Mr Brereton was made industrial relations minister.

This was always going to be a tricky assignment. From the outset, Mr Brereton's main task was to negotiate a labour market reform package which was both acceptable to the unions and furthered the government's aim of encouraging enterprise-based bargaining. After months of deadlock, a compromise was duly hammered out - but not without intervention from Mr Keating and, in the eyes of critics, some unfortunate concessions.

So, while Mr Brereton is long on connections and has reputation for toughness, his credentials on the financial front are scant.

Given that neither of these men presents a perfect solution, there is no shortage of other names being put forward. Already, Mr Kim Beazley, the employment, education and training minister, has been tipped as a compromise candidate, as has Mr Simon Crean, the primary industries minister. Outsiders - who might benefit if a broader government reshuffle takes place - include Mr Michael Lee, the 36-year-old tourism minister.

But whoever takes over from Mr Dawkins will have little time to learn the ropes, a fact



Willis: all the credentials

which may weigh in the equation. The outgoing treasurer's final act has been to reorganise the budget process so that finance bills are presented in May and then passed by the end of June.

This earlier presentation, with its built-in negotiation period, is designed to avert the embarrassing debacle which followed this summer's budget. Then, the legislation was stalled in the senate for two months while minor parties - who hold the balance of power there - haggled over specific measures.

So, since the prime minister's office has made clear that no successor to Mr Dawkins will be announced until early in the new year, this will give the new treasurer just five months to learn his brief. Mr Dawkins, safe in Fremantle, may look on with compassion.

## Latin American cash flows slow

By Stephen Fidler, Latin America Editor, in São Paulo

Capital inflows into Latin America slowed slightly this year but remain significantly higher than at the beginning of the decade, the United Nations Economic Commission for Latin America and the Caribbean said yesterday.

According to the Santiago-based organisation, net capital inflows fell to \$54.6bn (£36.6bn) this year from \$62.0bn in 1992, but compared with \$39.3bn in 1991. The net transfer of capital to the region - which also takes account of interest and dividend payments abroad - slipped below \$26bn this year from \$33bn last year.

The main beneficiaries were Mexico, where net inflows rose slightly to \$25.1bn from \$24.7bn, and Argentina, where inflows dropped to \$10bn from \$12.9bn. Inflows into Brazil dropped sharply to \$3.4bn from \$8.5bn and into Venezuela to \$1.32bn from \$2.33bn. Capital inflows fell slightly into Chile to \$2.59bn and into Peru to \$2.86bn. Flows into Colombia rose from \$167m to \$1.52bn.

The commission said capital continued to come from non-bank private sources, noting that bond issues from the region reached \$19.2bn this year. Foreign direct investment was maintained at "very high levels". However, the difference between interest rates in the US and in Latin America remained an important factor in encouraging capital.

The capital inflows - along with fiscal balance, more stable prices and growth - offered a virtuous circle which would generate confidence in the permanence of economic policy, said Mr Gert Rosenthal, the head of the commission. But he said worries remained about the size of the region's current account deficit, up to \$42.6bn this year from \$36.9bn in 1992.

Its preliminary assessment of the state of the Latin American economy showed a continuation for the third successive year of moderate economic expansion: 3.2 per cent, implying per capita growth of 1.3 per cent. However, if Brazil is excluded, regional growth dropped to 2.6 per cent from about 5 per cent in 1992.

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## NEWS: UK

# Lifeline planned for loss-making Names

Andrew Jack on the Randall Group scheme for Lloyd's

Names on the Lloyd's of London insurance market facing substantial losses may soon be extended a long-term lifeline to help them meet the crippling demands being made on their assets, it emerged yesterday.

Mr Ken Randall, chief executive of Randall Group, the insurance advisor, said that he was close to announcing details of a financing package that would allow repayment over ten years of losses by Names, the individuals whose assets have traditionally supported the market.

The service is one of a number of initiatives being planned by Randall

Group following the announcement yesterday that it had sold a substantial minority stake to J O Hambro Mogan, the merchant bank.

Mr Randall said he had obtained the support of one US and several UK banks towards raising at least "a few hundreds of millions" and possibly more than one billion pounds on the Euro-markets which would be used to pay cash calls levied on Names.

The package would be structured so that Names would only pay interest

on their loans for the first three years, and then equal-sized instalments of the capital owed over seven to ten years.

The announcement could provide welcome relief to many Names currently considering whether to accept a £900m out of court legal settlement with Lloyd's or pursuing lengthy litigation. The latest estimates from Chatset, the research group which covers the market, suggest Names could face demands for £8.65bn over

the next 20 years.

Mr Randall said he had been working on the idea over a number of weeks and had held detailed discussions "at a very high level" within Lloyd's and was finalising a number of "technical hurdles".

He said the idea had already been test marketed, and that final arrangements were now being made. Names would be approved for the scheme on a case-by-case basis.

The idea has been supported with

help from Mogan, which yesterday announced that it had bought 49 per cent of the shares in Randall Group for an undisclosed sum.

The group will in the future concentrate on three areas: insurance consultancy and management, investment management of insurance funds, and introductory and advisory services for investors in the London market.

Mr Randall, a former head of regulation at Lloyd's, refused to provide details of the financial position of the company other than to say its annual turnover was several million pounds.

## Britain in brief



### ASB fails to agree on goodwill

The Accounting Standards Board will today unveil two alternative proposals for the treatment of goodwill in companies' accounts after its own members were unable to agree a common line on one of the most controversial issues in accounting.

Goodwill is the difference between what a company pays to acquire another business and the value of the net assets of the company acquired.

It measures intangible assets, such as customers' goodwill, which are being acquired. But some companies have used goodwill in an attempt to disguise the high price they have paid for an acquisition.

The board's eight members were equally divided between allowing companies to put goodwill into a special reserve, or holding it on the balance sheet and writing it off as its value diminishes over time.

Mr David Tweedie, the board's chairman, said yesterday that if no agreement emerged he planned to hold open hearings to resolve the issue.

### Quangos up spending 10%

Unselected quangos are growing in number, employing more staff and taking a larger share of public expenditure, according to research by the Financial Times.

Quangos, quasi-autonomous non-governmental organisations, increased spending by more than 10 per cent in the year to last April, much faster than inflation.

They now account for more than a fifth of public expenditure, with NHS trusts running hospitals, Housing Action Trusts financing homes for rent and an increasing number of schools and colleges becoming independent of local authorities.

### Fisons plans to cut jobs, plants

Fisons, the troubled pharmaceuticals and scientific equipment group, is planning plant closures and large scale redundancies in a bid to restore confidence in the company following the dismissal last week of chief executive Mr Cedric Scroggs.

A restructuring programme already expected to save £25m in the pharmaceuticals division is to be widened to include a review of the loss-making scientific instruments business.

Mr Patrick Egan, chairman and acting chief executive, said yesterday: "Some parts of it will be closed, some sold and some rationalised. Turnover will shrink but it should become profitable."

The poor performance of the division, which is expected to make a loss this year of £16m against a £12m profit in 1992, was cited by the company last week as the main reason for Mr Scroggs' departure.

As part of the review, separate businesses manufacturing organic analysis equipment are likely to be merged while the loss-making surface science operation may be scaled back.

### Bishop doubts Christmas story

The Bishop of Durham, the controversial Church of England prelate, ignited a fresh row by describing elements of the Christmas Story as "mythical" and casting doubt on the account of the Three Wise Men.

The Rt Rev David Jenkins, senior man in the Established Church, said elements of the Christmas Story fitted so well together in a poetic way "that they look like compositions to express the faith that already existed".

Dr Jenkins told BBC television that "on balance" he did not believe the Three Wise Men delivered gold, frankincense and myrror to the infant Jesus, and he had "begun to wonder" about the story of there being no room at the inn. "Who knows?" he said.

Dr Jenkins, who retired next July, has already caused outrage by using the phrase "conjuring trick with bones" in a discussion on the Resurrection.

## Jaguar boosts output by 43% over last year

By Kevin Done, Motor Industry Correspondent

Jaguar has increased output by 43 per cent this year to about 29,500 cars from last year's 20,593. The 1992 figure was the lowest for 11 years.

Following the drastic cut of around 45 per cent in its UK workforce in the two years 1991-92, the fortunes of Jaguar, a subsidiary of Ford of the US, have improved markedly this year. Its UK workforce has been virtually unchanged at around 6,450.

In contrast to much of the European car industry it has avoided short-time working during 1993, and since August it has been working significant overtime at its Coventry plants.

Its worldwide retail sales have risen by around 24 per cent this year to 27,500-28,000 from 22,475 in 1992 largely due to a strengthening of demand in the US.

Jaguar more than doubled its sales in the US in November to 1,356 from 616 in the same month a year ago.

About 70 per cent of its US business is now based on leasing.

The US remains Jaguar's single most important market worldwide, and its sales there have increased by 49 per cent in the first 11 months of the year to 11,353.

The luxury carmaker, bas

been in loss for five years in succession from 1989 to 1993, but the losses have been reduced significantly in recent months, as rising demand in the US has boosted production.

Its operating losses in the first nine months of the year were cut to \$228m from \$300m in the same period a year earlier.

Its losses in the third quarter were reduced to \$108m from \$135m, but the third quarter loss this year included a one-time charge of \$65m for the closure of Venture Pressings, its 50/50 joint venture with GKN.

Jaguar is being increasingly integrated into Ford's European operations, and during next year production of the stamped body panels for Jaguar cars will be transferred from Venture Pressings to the Ford plant at Halewood, Merseyside, which has free capacity.

Jaguar expects output to rise further by more than 10 per cent next year to 32-33,000 boosted by the launch of a revamped version of its XJ6 luxury saloon, code-named X300.

Production of this car will begin in the summer - with the body panels sourced from Halewood - and Jaguar is hoping that output could be running at a rate of around 36-37,000 cars a year by the end of 1994.



Shoppers swelled London's Oxford Street as hopes rose that the feel-good factor would lift retail sales during the run-up to Christmas

## Otis seeks lift from UK designers

By Andrew Baxter

Otis, the world's largest lift manufacturer, is hoping to expand its share of the recession-torn UK market through a new British-designed range of standard lifts which has cost it £70m to develop.

The US-owned group unveiled the range last week in a move that is likely to intensify competitive pressure in the UK lift market.

Mr John Leingang, chief executive of Otis in the UK,

said the new range could significantly increase its share of the market for "model" or standard lifts by offering customers innovative designs in more than 2,400 permutations.

The UK lift industry has been badly hit by the construction industry recession, and the model lift market has been flat for the past 12-18 months, said Mr Leingang.

Even so, it is performing better than Otis' traditional market of high-specification, custom-built lifts for high-rise

office blocks, which has virtually collapsed.

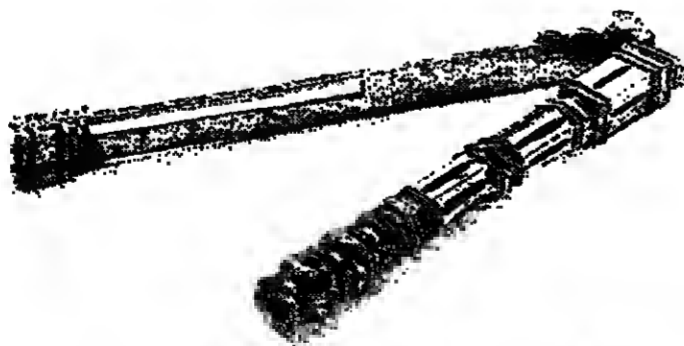
The new Otis 2000 series will be manufactured in France and Italy. It is the culmination of five years investment in customer research, technical innovation, safety improvements, modular engineering and systems, Otis said.

The interior was designed by London-based McColl Associates. Its biggest design gamble, said Mr Leingang, was slide lighting - lift interiors are normally lit from the top.

Despite last week's sharp fall in unemployment the number of British workers who fear they may lose their jobs in the next 12 months rose to over 50 per cent in December, according to the latest MORI/IRS survey for the Financial Times.

It is only the third time since the monthly surveys began last April that the fear factor has risen over 50 per cent and suggests that the budget has had a negative impact on perceptions.

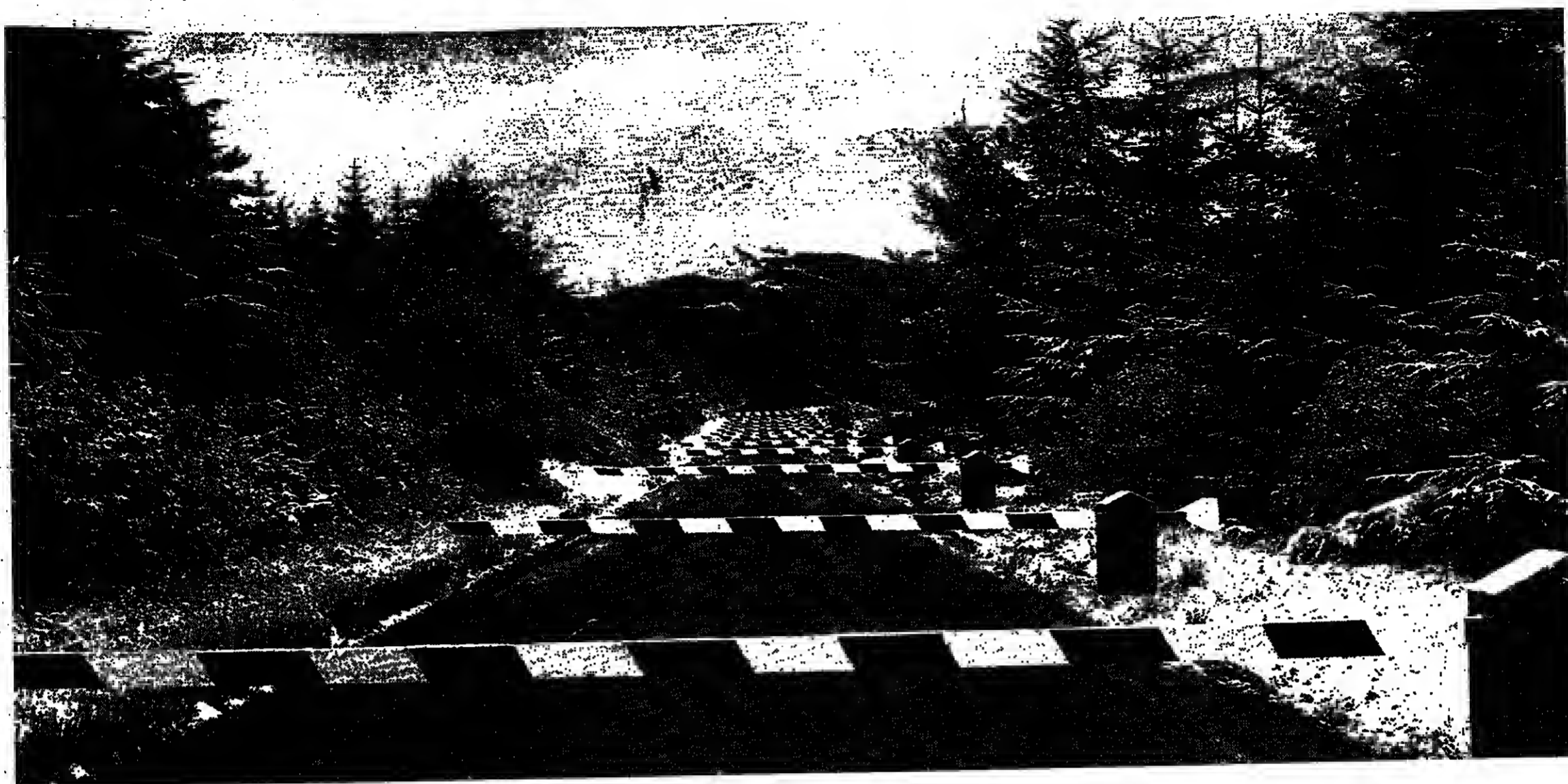
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## MANAGEMENT

## TIPS FROM THE TOP

Just as timely  
25 years on . . .George Prince, retired co-founder of US consultancy  
Synectics, on running better meetings

In order to find a novel approach, the chair can create an artificial, instant "excursion" from the problem.

I was delighted when I recently discovered that my article "How to be a better chairman" was the only article surviving from the 1960s in the Harvard Business Review's selection of "The Best of Best". Based on the frequency and size of demand, its inclusion shows just how important and difficult a part of our lives meetings continue to be.

During the past quarter century there have been many changes, large and small, in the ways we speak and think. Nowadays we are no longer allowed to talk about "chairmen" but have to talk about "chairpersons". If I were to write my article now, I might abolish the whole concept of "chair" and use the term "process leader".

What follows is the essence of my 25-year-old article. I've shortened it considerably, but the message is the same: it is possible to run more productive meetings if the person in the chair understands the group dynamics and knows clearly what skills a leader needs.

Many people are cynical about the time spent in meetings. Often they fail, though, because of hidden agendas, lack of candour and waste of talent. On the basis of thousands of meetings observed over the years, I have found that even mild rejection has a significantly negative effect on people: pointing out flaws in others' ideas occupies too much time; while approval has a positive effect and creates a climate for resolution of the problem.

Successful meetings take place in an atmosphere in which participants need not defend themselves or their ideas. When relieved from the burden of self-protection every body can wholeheartedly devote themselves to the meeting. To draw creative contributions from everyone in the group, a chairperson

must use his or her wits, plenty of tact, and some new rules of order.

The process of running a meeting could go like this. Having briefly headlined the problem, preferably in the format of "How to..." or "How can I...?", the chair should ask the member with most knowledge of and involvement in the problem to explain it in more detail. Meanwhile, participants listen and make notes about associations, ideas, and new perspectives.

The chair then encourages participants to be as wishful about the solving of the problem as they can. All wishes will be recorded on a flip chart for all to see. It has been found that the wilder the wish, the more likely it is to evoke a starting point for possible solutions.

When people offer their ideas, the chair has to protect them from all attacks. He/she needs to force members to see positive value in each idea.

"What do you like about A's suggestion?" the chair can ask. Only after making notes on several valuable aspects of it, can the concerns be brought up. By recognising everyone's views, the chair keeps the

climate non-aggressive and people more willing to contribute. He/she instructs: "Please put the problem out of your mind. Now, can anyone think of a striking image in the world of weather?" Members begin to offer examples, and the chair records them all. They select

one and discuss its implications. The "excursion" time can last from 5 to 15 minutes depending on the members' skill in keeping off the original problem.

Using the "excursion" material, the chair asks the members to connect it back to the original problem. These connections are usually unthought of and highly speculative. Exciting new ideas are then developed, all members adding to and building upon each other's suggestions until it reflects the constructive energies of the group.

In summary, the 10 leadership principles for the role of chairperson are:

1. Never compete with the group members. Give members' ideas precedence over your own.
2. Listen to every group member. Paraphrase, do not judge.
3. Don't permit anyone to be put on the defensive. Assume value in all ideas.
4. Use every member of the group. Control the dominating ones without alienating them.
5. Keep the energy levels high. Your own interest and alertness are contagious.
6. Keep members informed about where they are and what is expected of them. Keep notes on flip charts for all to see.
7. Keep your eye on the expert (the problem owner). Check with him/her whether an idea is worth pursuing further and when a proposed solution is satisfactory.
8. Rotate turns in the managing of meetings. To learn to lead is to learn how to participate, and when the chair rotates, everyone learns.
9. Do not manipulate the group.
10. Work hard at the technique of chairing a meeting.

Tips from the Top will be on holiday until January 10.

Carol Cooper on deafness  
as a work-related disease

## Keep it quiet and healthy at work



HEALTH CHECK

Those who think deafness is mainly a question of old age may be in for a surprise. Noise at work is the leading cause of hearing loss in the industrialised world, with 1.7m people in Britain estimated by the Health & Safety Executive to be suffering from work-related deafness.

Hearing loss has long been known to follow loud blasts on the battlefield, and industrial deafness goes back more than two centuries. So-called boiler-maker's deafness was commonplace in the 1890s - with today's wider range of noisy machinery, hearing loss affects many more workers.

Noise-induced problems may not be new, but there is now greater interest in occupational health as well as growing disquiet over leisure noise. Loud noise affects the inner ear: it damages the hair cells of the cochlea, which translates the vibration of sound waves into electrical impulses. The first symptom of damage is often tinnitus (ringing in the ears). Its severity is a guide to the risk of incurable deafness.

When hearing loss sets in, it may be reversible at first - as after a rock concert - but later it becomes permanent. An early complaint is muffled hearing, or difficulty on the telephone or in the pub. High-pitched sounds can be especially hard to distinguish.

The risk of deafness is related to noise levels which are measured in decibels (dB), usually on the A scale which compensates for the fact that human hearing is more acute for high-pitched sounds. The decibel scale is logarithmic, so the difference between 90dB and 100dB is a tenfold increase in sound energy.

Levels of 80dB are roughly those you would find in a busy street and pose no significant risk to hearing. But around 2.4m UK workers, according to the HSE, are exposed to levels above this. Occupational deafness is a prescribed industrial disease, and an employee may successfully claim

compensation from his employer if hearing loss is work-related. Under the 1989 Noise at Work Regulations, employers have a general duty to reduce noise to the lowest levels practicable, and a specific duty to take action where levels are too high.

Where the daily exposure of an employee is likely to be 85dB, information about the dangers must be given, along with instruction on minimising risks.

Ear protectors (muffs or plugs) should be provided to all employees on request, and - very important - maintained in working condition. At 90dB, employers must ensure that ear protectors are worn, and that ear protection zones are marked if at all possible. Everyone entering the zone, however briefly, should protect their ears.

Ear protectors don't entirely cut out noise and are not always worn. Some workers claim they hinder communication with colleagues or prevent them from hearing warning sirens (this seems unlikely). Dirty protectors can cause ear infections, but even when clean they are often considered uncomfortable, inconvenient, or whiplash. Nonetheless at 90dB the employer is responsible.

Only accurate technical measurements can determine how noisy an environment is, but as a rough guide, if people must shout to be heard two metres away, or their ears ring after work, noise is excessive. Factories are not the only places affected - many offices and farms are noisy too. Since the risks of noise are cumulative, hours of work and length of service are relevant, as are leisure pursuits.

The effects of loud noise go well beyond the ear. Aggression, poor concentration, learning difficulties, and feelings of hopelessness have all been described.

The author is a London general practitioner.

For information contact HSE Information Centre, Broad Lane, Sheffield S3 7HQ. Tel: 0742 892345; fax: 0742 892333, or the Association of Noise Consultants at 6 Trap Road, Guilden Morden, Royston, Herts SG8 0JE. Tel: 0763 852958.

## and still relevant from 1908

A slim 64-page volume, written 85 years ago by a frustrated university young man in a burly, unlikely text for modern managers.

That, though, is just how a tiny publishing house Mainsail Press has been promoting its new hardback edition of Francis Macdonald Cornford's *Microcosmographia Academica*, newly subtitled *Cambridge's classic guide to success in the world*.

In a forward penned in 1949 the classicist W.K.C. Guthrie said that just before the second world war he had "tried the book on the head of an engineering firm, and he assured me that the business world was in urgent need of its counsel".

The eulogising Mainsail has gone even further, soliciting from

BT's head of strategy development the generous plug on its back cover that "every young MBA in a hurry" should read it.

This is perhaps going a bit far. But it is not an exaggeration to say that many of Cornford's pithy, if somewhat cynical, observations have stood the test of time.

The words of Cambridge's first professor of ancient philosophy - inspired by his experience of the tortuous ways in which academic bodies reach (or avoid reaching) decisions - were originally directed at ambitious young academics. Today one could imagine him addressing business graduates about to embark on a career in a large organisation.

Disillusioned by those who

sought to avert change, Cornford's ideas were intended as a warning for those who fail to understand human nature and, as he saw it, man's inbuilt inertia. "There is only one argument for doing something; the rest are arguments for doing nothing", he wrote.

Among the principles of practical politics he explores are those of the wedge (that "you should not act justly now for fear of raising expectations which you are afraid you will not have the courage to satisfy"); the dangerous precedent (from which "it follows that nothing should ever be done for the first time"); and *utripie time* ("Time, by the way, is like the mediator: it has a trick of going rotten before it is ripe").

Cornford also recommends for delaying action "another sport which wastes unlimited time", namely *comma-hunting*: "Once start a comma and the whole pack will be off, full cry, especially if they have had a literary training".

More constructively perhaps - but just as Machiavellian - is the passage on *squaring*, which might be interpreted today as I'll scratch your back, if you'll scratch mine, while out formally admitting that this is the case.

Cornford says that the practice of *squaring* can be carried out over lunch, but that the "proper course" in his day was to meet "accidentally" between 2pm and 4pm on King's Parade, Cambridge, "talk about indifferent matters

for ten minutes", and then observe a procedure which emphasises "the fact that there is no connection whatsoever between my supporting your job and your supporting mine. This absence of connection is the essential feature of *squaring*".

The most famous passage in the book is probably the definition of propaganda in Cornford's preface to the 1922 edition. It is "that branch of lying which consists in very nearly deceiving your friends without quite deceiving your enemies".

Tim Dickson

\* Available from Wayne Hill, c/o Queens' College, Cambridge CB3 9ET. Tel/fax 0223-350613. Price £8.99.

## St Helena Gold Mines Limited

Registration number 0520743/06

## Oryx Gold Holdings Limited

Registration number 69101900/06

(Both companies are incorporated in the Republic of South Africa)

## Joint announcement to shareholders

On 1 October 1993 St Helena and Oryx Gold Holdings (OGH) announced that substantial additional funds, of perhaps up to R900 million, could be required to complete the Oryx mine after full draw down of the R979 million interest-free shareholder loans, in or around March 1994.

In the 1993 annual report of OGH, the Chairman stated that a review would be carried out of the geological, technical and other parameters upon which the future mining plan is based, and that this review would be audited by independent outside consultants.

The review of the project has now been completed and the independent audits have been concluded. In essence, the geological audit expects that the gold values and the gold content will improve steadily towards the north-east of the current working area to attain the levels forecast in the pre-listing statement. The mining audit made several important recommendations to strengthen the proposed mining plan and concluded that the funding shortfall (inclusive of over R400 million principal and interest payments on bank loans) is likely to approach R900 million.

In light of the above, consultations with the major shareholders and with the bankers to the project will commence shortly. A further announcement will be made thereafter.

Johannesburg  
20 December 1993



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FRF 300,000,000

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Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate of interest applicable to the period from September 20, 1993 (included) to December 20, 1993 (excluded) is 6.8371%. This rate of interest has been determined according to the formula provided for in Condition 4. ("Interest" b) (i), ie "0.25% + (3 months USD LIBOR (Final Spot/4.9435) - 3 month PIBOR)". Therefore, the interest payable on December 20, 1993 against surrender of coupon nr 4 is:

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## CONTRACTS &amp; TENDERS

TRINIDAD AND TOBAGO OIL COMPANY LIMITED  
POINT-A-PERRE REFINERY UPGRADING  
INVITATION TO SUPPLY TANKAGE, PIPING AND ELECTRICAL  
MATERIALS FOR OFFSITE FACILITIES AT TRINIDAD'S  
POINT-A-PERRE REFINERY

## LOAN NO. 10/6100/CTT

The Trinidad and Tobago Oil Company Limited (TTOCO) invites suitably qualified and experienced suppliers to submit bids for the supply of Tankage and Piping Materials and Electrical Equipment/Materials.

The Point-A-Pierre Refinery Upgrading Project is being funded by the Government of Trinidad and Tobago, the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Export-Import Bank of Japan (EXIMB) and the Commonwealth Development Corporation (CDC). Funding for these works is provided by the CDC. The CDC is the contracting agent for the project.

The Nationality of the bidder, transporter, insurer and the origin of the goods shall be that of a member country of the IDB in accordance with the rules of the Bank.

Trinidad's ITB shall contain full details of the scope of supply, a summary is given below:

## SCOPE OF SUPPLY

## 1. TANKAGE AND PIPING MATERIALS

The scope of supply shall include, but not be limited to the following material for the replacement/reconstruction of storage tanks and pipe works:

- |  |            |
|--|------------|
| 1. Piping (1 inch dia. to 8 inch dia.)                           | 4,430 ft   |
| 2. Solid Bars (5/8 inch square to 1 1/2 inch dia. thick etc.)    | 1,500 ft   |
| 3. Mild Steel Angles, Plates, Channels, etc.                     | 12,180 ft  |
| 4. Mild Steel Flanges (1/16 inch, 1/4 inch, 1/2 inch thick etc.) | 720 sheets |
| 5. Check Valves (6 inch dia. x 150 lbs)                          | 10 pcs     |
| 6. Swivel Joints (6 inch dia.)                                   | 2 pcs      |
| 7. Flanges, Elbows (1 inch dia. x 90°, 6 inch dia. x 150 lbs)    | 70 pcs     |
| 8. Root Seals (Horton Type 5 for Tank dia. 140 ft)               | 2 sets     |

## 2. ELECTRICAL EQUIPMENT/MATERIALS

- |  |         |
|--|---------|
| (a) EPR (15 KV, 3-core, 240 sq mm)     | 2,400 m |
| (b) EPR (11 KV, 3-core, 50 sq mm)      | 1,200 m |
| (c) Miscellaneous (PVC SWA PVC, 100KV) |         |
| 2. Switchboards                        |         |
| (a) 12KV, 7-Panel                      | 1 pc    |
| (b) 40KV, 7-Panel                      | 1 pc    |
| 3. Transformers                        |         |
| (750 KVA 230/44 KV)                    | 1 pc.   |

## SUBMISSION OF BIDS

Completed Bids of Materials and Specifications may be obtained at the office of the:

Central Purchasing Manager,  
Trinidad and Tobago Oil Company Limited, Point-A-Pierre, Trinidad, W.I.

ATTENTION: MR. PAUL PROBERT

Tel: (809) 658-3397 Fax: (809) 658-5394

Closing Date for Receipt of Bids: Bids will close at 11.45 am on 1 February 1994.

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# THE MONDAY People page

## Ace player's simple sums

Alan Greenberg tells Richard Waters about his serious money and what he does with it

Alan Greenberg - "Ace" to his friends - looks exasperated. "I'm just so sick of hearing about this money thing. I'm so sick of having us compared with other people."

The "money thing" Greenberg is so sick of hearing about is his own, sizeable, income. Last year it was \$15.8m. This year it is \$15.9m. What's the lowest it has been in the past two years or so? "I don't know, maybe \$4m or \$5m. I don't remember." Even by the standards of the well-paid ranks of senior US executives, this counts as serious money.

But then, as Greenberg says, he is different. He trades shares. Not only that, he sits at the focal point of one of New York's busiest trading floors. And this has been a blockbuster year, even by Wall Street standards. So why should anyone begrudge him his \$15.9m?

Before tackling that thorny subject, it's important to realise that Greenberg is just any share trader. He's been doing it for decades "forty four years and nine months," he points out helpfully and is said to be very good at it. Although chairman of Bear Stearns, a securities house that employs 6,500 people, he spends most of his time at his desk on the equity trading floor, directing the bubble.

Greenberg's image as a gruff, wise-cracking trader has hardened around him like a crust. When delivering interviews from his perch on the equity trading floor at the Bear Stearns offices on Park Avenue, he slips easily into the mould that he has created for himself in a succession of interviews over the years.

He spits out homilies and dispenses no-nonsense views on life and the markets as if by rote. He favours being

photographed with a fat cigar in his hand. It is disconcerting when quotations from previous interviews, ones that obviously pleased him, reappear on his lips.

Journalists, you can tell, like this version of Greenberg. His history has been told and re-told through the years in a rag-bag of anecdotes. The memo he once wrote telling staff to re-use paper clips, rather than buy new ones. How, as share prices crashed in 1987, he practised his golf swing on the trading floor and said he might take the next day off to play a round. His fondness for playing bridge and impressing interviewers with card tricks (he is a member of the Society of American Magicians).

Greenberg plays along gamely. Keen to demonstrate his contempt for high-faloot management theorising, he rummages through a pile of paper on his desk to find "some of the nonsense people say." He quotes from various papers: "Re-engineering business," "economically value added," that's some of the nonsense I have to listen to. He has done this in other interviews as well, and it obviously works.

Although much of this is for show, Greenberg really does appear to have a straightforward approach to running a trading firm. Every Monday, Bear Stearns traders attend a meeting where their trading positions are discussed. A team of spies patrol the floors constantly, trying to make sure no one is covering up a big loss.

Are there more sophisticated methods available for managing trading risks these days? No, says Greenberg. "People can read things, write things that aren't exactly true."

He explains: "Traders are reluctant to put down accurate prices. That's a con-

Born: Wichita, Kansas 1927

Educated: Football scholarship at University of Oklahoma. After a football injury, transferred to University of Missouri and graduated with BA in business

Career:

1949: Joined Bear Stearns in the equities department

1958: Made a partner

1977: Winner of National Bridge Championship

1978: Became chief executive

1985: Appointed chairman and chief executive when Bear Stearns went public

1993: Gave up chief executive's position. Continues to work in equities department

stant problem we and everyone else has. They don't want to show a loss, and that's a bad mistake. If they do it, they're out - O-U-T." (That also echoes from a previous interview.)

Not letting small trading losses turn into big ones is one of the very few trading philosophies that Greenberg admits to. All loss-making positions are closed, he says. "We don't carry big losses. We just sell 'em."

Ask Greenberg what is the biggest loss he has ever been responsible for, and an interesting thing happens. The gruff front falters for a minute and he chuckles boyishly. He looks younger than his 66 years anyway, but this makes him look younger still. Many years before, when Bear Stearns' capital was only \$30m or so, he managed "a loss of \$1m, which at that time was really big."

So what about the "money thing" that gets Greenberg so riled? He isn't the highest-paid Wall Street trader; that honour goes to George Soros, Michael Steinhardt and the rest of the band of so-called "hedge fund" managers. But among the heads of Wall Street firms, his earnings were exceeded last year only by Stephen Friedman and Robert Rubin, then co-heads of Goldman Sachs.

The attention this attracts clearly annoys him. Of nameless critics, he says: "They don't know how much money I make for this firm, so how can

they say it's big or little? How can anyone say what I should rate without knowing what I do?"

Also, Greenberg's basic salary is \$200,000 - the rest comes from bonuses when the firm is making a profit. "I don't know of one other corporation where the top people want to run the risks with their income that we do. When many companies lose money, the bosses get a raise."

Well, yes. But judging by Bear Stearns' performance in recent years, the danger of not making a profit is not that great.

And now the really important questions: how does he spend all that money? The pleasing boyish chuckle comes back. Greenberg claims not to have any expensive habits. He recomposes his face, prepares to talk about the philanthropy that is widely commented on. "My wife and I give a lot of money away every year. How much is a personal matter."

And then there is betting. Small amounts on football (he is a fan of the New York Giants), much more on cards. "I like to gamble big at bridge. I like to gamble. Every businessman is a gambler."

He slides off into another homily, this time about the importance of risk-taking in business. But you can tell that only half his mind is on it. He's impatient to get this interview over and get back to the serious business of making money.

### Personage

## Another good man - but will he last?

Ask any cross-section of analysts to nominate the toughest big company chief executive job in Australia, writes Bruce Jacques, and chances are that Goodman Fielder, the country's largest food group, will outpoll all comers.

So, when long-serving Goodman executive Barry Weir was promoted to the managing director's post last week, it's scarcely surprising that investors were underwhelmed.

"They've seen it too many times before. Goodman has chewed up three chief executives in the past half decade, culminating in last week's passing of the high-profile former Elders executive, Michael Nugent."

Weir now has the task of improving the sluggish performance of the unruly Goodman conglomerate whose structure remains a legacy of 1980s boom time extravagance.

But he should be well equipped for the task. For a start, he's a survivor. In his 17 years with Goodman, 58-year-old Weir has seen all manner of management crises and worked in most parts of the business.

He won the chief executive's post by successfully expanding Goodman's European operations, based around its Wessexen business, which has grown under his stewardship to account for 25 per cent of the total business.

As a tested, long-term executive, Weir has a reputation as a team player who is likely to improve shattered morale by redeveloping old-fashioned camaraderie among his top executive team.

But Weir will get no honeymoon from the markets. Goodman's record of high management turnover plus his age already have analysts calling him an interim chief, "just keeping the seat warm while the head-hunters find a more high-powered candidate."

Against that, the Goodman board is likely to be keen on stability at the top after its recent experience.



## Mattiussi's long distance learning

The past 18 months have been unsettling ones for Andrea Mattiussi (above), chief executive of Lawson Mardon, the international packaging group, writes Bernard Simon.

From the start, he had to adjust to constant travel between Lawson's head office in Toronto, his home in London, and the base of Lawson's major shareholder in Milan. Mattiussi sometimes describes his office as his briefcase and cellular phone.

But the upheavals keep coming. Aluisio-Lanza, the Swiss industrial group, has spent the past month poring over Lawson's books to decide whether to go ahead with a C\$55m takeover bid. This week, Mattiussi's former boss, Italian financier Sergio Cragnotti, agreed to pay C\$2.7m to settle allegations of manipulating Lawson's share price and insider trading.

Cragnotti, whose investment firm controls Lawson, was also banned for life from being a director or officer of any Ontario-based company.

Mattiussi is given his marks for cutting costs and giving a sharper focus to Lawson's business, most of which is in Europe.

His shrewdest move, however, may have been to put some distance between himself and Cragnotti. He is said to have vigorously defended the interests of Lawson's outside shareholders, even at the expense of some friction with his former employer. That may explain why Mattiussi heard about Cragnotti's deal with Aluisio only a couple of hours before it was announced.

If Aluisio goes ahead with its bid, it will need to decide

whether it wants Mattiussi to stay on as ceo. Last week the Ontario securities commission said there was no evidence that Mattiussi or any other Lawson director was involved or aware of Cragnotti's activities.

## Younger faces in China

China is giving the Bank of China, the country's foreign currency arm, a facelift with the appointment of a new chairman of the board and governor, writes Tony Walker. State Council, China's cabinet, recently approved the appointments which are expected to be announced formally today.

Wang Qiren, 52, will become chairman, and 41-year-old Wang Xuebing will assume the role of governor or president. The appointment of the two Wangs is part of a trend throughout China's bureaucracy to promote younger officials to senior office.

They will replace another Wang (Wang Deyuan, 63, who has served as both chairman and governor for the past eight years).

The new Wangs at the Bank of China are seen as protégés of Zhu Rongji, China's economic czar and governor of the People's Bank. China's central bank. Zhu has also been making youthful appointments to the People's Bank board.

Wang Qiren is currently vice-chairman of China's Hong Kong and Macao Affairs Office, a politically sensitive post concerned with the colony's transition to Chinese rule in 1997. Before his move to that job he worked in China's state-controlled banking sector for 20 years.

Wang Xuebing is currently vice-chairman of the Everbright Industrial Corporation, one of China's state-owned conglomerates. He is a former head of the Bank of China's New York branch.

The new appointments coincide with sweeping reforms of the banking sector. Among changes are attempts to transform the Bank of China and the country's three large commercial banks into Western sense. They have tended to act to this point as cash dispensers to faltering state industries.

### CONFERENCES & EXHIBITIONS

**JANUARY & MARCH**  
London School of Economics  
A series of evening seminars on Contemporary Britain, 10 sessions starting on 12 January 1994 and Contemporary Europe, 12 sessions starting on 3 March 1994. Both series are open to all. For details of the seminars and to book, contact: The London School of Economics, Short Courses Office, Houghton Street, London WC2A 2AE. Tel: 071-955 7227 Fax: 071-955 7676

**JANUARY & MARCH**  
New Insider Dealing Legislation 20 Jan.  
Seminar offering expert advice on the implications of the new law as well as practical guidance to ensure compliance. Money Laundering 2 Mar.  
Seminar examining the practical implications of the new Regulations for the wholesale, institutional and private client investment business. Contact: Sally Ann Brown, Securities Institute, Tel: 071-626-2052 Fax: 071-626-2062

**JANUARY 10**  
The Economics of Middle East Peace  
A full-day business conference about the economic and business implications of the Arab-Israeli peace process organised by Middle East Economic Digest. Keynote speaker: IRII Crown Prince Hassan of the Hashemite Kingdom of Jordan. For reservations contact: Hugh Comerford, MEED, Tel: (071) 401 5513 ext 8245 Fax: (071) 242 1450

**JANUARY 12/13**  
Auditing the Dealing Room  
Training course designed specifically for internal auditors and bank inspectors charged with ensuring the on-going activities of their institution's Treasury dealing operation - cash markets and derivative products. £490 + V.A.T. Lywood David International Ltd. Tel: 0959 565820 Fax: 0959 565821

**JANUARY 18**  
Profiting from Risk  
A one day conference tackling the principles and practice of financial risk. Topics cover the dynamics of exposure management from credit risk, through trading and hedging, to the competitive advantage of better risk management and the logistics of an IT solution. The Brovery SNT Conference Division: 071-417-7845/87

**JANUARY 18/19**  
Practical Documentary Credits  
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc. credits, handling discrepancies and the new UCP 500 procedures to clarify understanding of all issues. £490 + V.A.T. Lywood David International Ltd. Tel: 0959 565820 Fax: 0959 565821

**JANUARY 20-21**  
TIE Days:  
Sensors & Instrumentation  
Innovative new projects in Sensors & Instrumentation will be presented to a select group of visitors. This meeting is being held in conjunction with ECOTEC Research and Consulting Ltd's Environmental Technology Investment Forum. Both events are supported by EC SPINT Programme. For further details please contact: TIE IUK Ltd. Tel: 44-71-704 7902 Fax: 44-71-704 9594

**JANUARY 25**  
Expanding Shareholder Value - The Vital Role of Investor Relations  
Expanding shareholder value should be the governing objective for any company's business strategy. At this one day conference, expert speakers will share the latest thinking and research and explore implications for both corporate and investment management. Contact: Jo Malone, The Strategic Planning Society. Tel: 071-626-7737 Fax: 071-626-7737

**JANUARY 26-27**  
Marketing the High-Tech Company  
A two-day intensive course which provides practical solutions for the unique marketing problems of high tech. Areas covered include marketing principles, product creation, differentiation, promotion, selling and strategy. Contact: Linda Andrews Whiting. Tel: (0223) 327222 Fax: (0223) 301123

**FEBRUARY 7**  
Resource Management in the Public Sector  
This conference will provide a practical forum to review the opportunities for selling services to the public sector and examine how a successful and enduring partnership can be built between the public and private sectors to the advantage of both. Enquiries: Financial Times Tel: 071 814 4770 Fax: 071 873 3075/960

**FEBRUARY 8**  
Improving the value of I.T. Investments  
This conference presents practical solutions to the problems of evaluating the impact of I.T. on business performance. Senior executives, along with leading academics & consultants present workable methods for measuring the business benefits of I.T. Contact: Business Intelligence Tel: 091-544 1830 Fax: 091-544 9021

**FEBRUARY 14-15**  
Preparing for Change  
This concise overview examines successful strategies for managing the change to a truly high performance organisation and explores a framework and methodology to implement continuous improvement and innovation. Contact: Alliance International Ltd. Tel: (0931) 855553 Fax: (0931) 855553

**FEBRUARY 15&16**  
Cable and Satellite Broadcasting  
The 1994 event will concentrate on international competition in media markets, changing technologies and the implications of the digital and compression revolution as well as commercial programming and new entertainment channels. Enquiries: Financial Times Tel: 071 814 4770 Fax: 071 873 3075/960

**FEBRUARY 24**  
EIS & Competitor Intelligence: Developing Competitor and Business Intelligence Systems for Managers  
Conference explores how EIS and related systems can improve the quality, scope and relevance of critical information provided to managers. It discusses the interacting roles of the various contributors and stakeholders in this process. Contact: Business Intelligence Tel: 091-544 1830 Fax: 091-544 9021

**MARCH 10-11**  
Winning People  
Queen Elizabeth II Conference Centre, London  
Based on a new research study from the London Human Resource Group, this two-day pan-European conference will highlight the actions that personnel directors need to take in response to the new business challenges facing European banking, insurance, accountancy, law and software firms. Contact: Ann Reilly-Perry via Emap CREATE. Tel: 0892 526757 Fax: 0892 543583

**MARCH 23**  
Sponsorship - The Masterclass  
Excellent speakers from United Distillers, OIL, Shandwick, United Airlines, Guinness, Digital, Clerical Medical, Mercury, Allied-Lyons, LBS. Topics will include how to maximise value, integrate sponsorship, identify and evaluate opportunities, measure brand impact. Contact: Century Communications Tel: 071 244 9854 Fax: 071 244 7518

**INTERNATIONAL**  
**JANUARY 18**  
Profiting from Alliances: NAFTA and Global Information  
Executive seminars provide a unique opportunity to discuss and learn about new business opportunities and alliances. Topics: Profiting from Alliances in NAFTA and Investing in the Global Information Megamarket. \$400. Sun to 1pm. Contact: Manor Management Seminars Tel: 1-415-437-7711 Fax: 1-415-437-7722

**FEBRUARY 28 & MARCH 1**  
Asia Pacific Telecommunications - A Magnet for Foreign Investment  
An international panel of experts will discuss the important investment opportunities for telecommunications companies in the Asia-Pacific region. Enquiries: Financial Times Tel: 071 814 4770 Fax: 071 873 3075/960

### THE WEEK AHEAD

#### DIVIDEND & INTEREST PAYMENTS

##### TODAY

Alcan Aluminium \$0.075  
Aquarius Plus Ctd. Soc. FRN's 2000 \$208.94  
Assoc. Btl. Paris 117% Bds. '11 \$293.75  
Bk. Leumi (UK) Und. Prim. Cap. FRN's \$25.00  
Bardays Bk. Fin. (Jersey) 100% Sec. Dep. Nts. '95 \$1062.5  
Brit. Bldg. & Eng. Appliances 5.5p  
Burman Control Corp. (Jersey) 8.5p  
Cnr. Cap. Bds. '95 \$47.5  
Dorseton Int. 0.5p  
Essex Water 9% Deb. '91/93 \$4  
Do. 10 1/2% Deb. '94/96 \$3.25  
Do. 3 1/2% Perp. Deb. 51.75  
Do. 5% Perp. Deb. 22.5  
Export-Import Bk. of Japan 5 1/2% Gtd. Bds. '95 \$57.5  
Furukawa 7 1/2% Bds. '97 \$737500  
Gas Metropolitan 10 1/2% Debts. '95 \$5108.25  
Gen. Motors Acceptance 10 1/2% Nts. '95 \$106.25  
GNAC Australia (Fin.) 10% Nts. '95 \$45.00  
Gold Int. Fin. Tranche B FRN's '02 Y856284  
Halliburton Bldg. Soc. 5 1/4% Nts. '93 \$73500  
Hiscox Credit Corp. 7 1/4% Nts. '96 \$71.25  
Italian Int. Bank Sub. FRN's '96 \$106.25  
Japan Airlines 8 1/4% Gtd. Bds. '96 \$406.25  
Jupiter European Inv. Tst. 1.1p  
Kansai Electric Power 8 1/4% Nts. '96 \$57.5  
Merrill Lynch 12 1/4% Nts. '94 \$121.25  
Mount Charlotte Inv. 10 1/4% 1st Mto. Deb. '14 \$5.375  
Natl. & Provincial Bldg. Soc. 6 1/4% Nts. '96 \$400000  
NTT 8 1/4% Nts. 1995 \$475  
NSK 7.05% Bds. 2000 Y705000  
Prudential Fdg. 8 1/4% Nts. '95 \$382.5  
Tarmac 3p

Tokyo Electric Power 6% Nts. '96 Y60000  
Do. 9 1/4% Nts. 1998 \$66.25  
Do. 10 1/4% Nts. 1996 \$5106.25  
Yasuda Tst. Asia Pacific Fldg/Fxd. Role Gtd. Nts. '02 \$2177.5  
Yasuda Tst. & Bkg. (Lnc.) SA Gtd. FRN's 2000 \$98.6  
YTS Fin. (Aruba) AEC Gtd. Sub. Fldg/Fxd. Rate Nts. '02 \$7200

##### TOMORROW

Commonwealth Bk. of Australia Gtd. Und. Var. Rate Cap. Nts. \$101.18  
Dixie (Japan) 2p  
Drayton English & Int'l Tst. 0.4p  
Lawson Mardon A Sub. C\$0.1  
Merrill Lynch Int. Fin. 7 1/4% Bds. '94 Y730000  
Yuan Foong Yui Paper Manfg. 2% Bds. '99 \$200

##### WEDNESDAY

American Cyanamid \$0.4375  
Bardays Bk. Fldg. Rate Sen. Sub. Bds. '01 \$23226.37  
Bristol & West Bldg. Soc. Sen. Var. Rate 1994 \$152.71  
GR Hldgs. 1.4p  
Halliburton 0.25p  
Hercules \$0.56  
LASMO 10 1/4% Deb. '09 \$5.1875  
Leeds Perm. Bldg. Soc. FRN's '96 \$151.15  
Marine Midland Banks Sub. FRN's '96 \$157.35  
Marks & Spencer Fin. 7 1/4% Gtd. Nts. '98 \$33.8  
Nationwide Bldg. Soc. Sub. FRN's '04 \$157.35  
Newcastle Bldg. Soc. 10 1/4% Perm. Int. Bt. \$53.75  
Pittsburgh 0.28p  
Rage National Corp. Sub. FRN's '96 \$132.71  
Riverway Rubber Eats Bhd. MS0.1  
Standard Chart. Und. Prim. Cap. FRN's \$76.35  
Unilever 7 1/4% Nts. 1998 \$33.8  
VTR 2.55p

##### THURSDAY

Aircraft Lease Portfolio Sec. A 7 1/4% Fld. Rate Nts. '97 \$387.5  
Do. Class A2 FRN's 1997 \$218.58  
Bk. fur Arbeit und Wirtschaft AG Sub. FRN's '99 \$268.88  
Cibcorp Sub. Cap. FRN's '96 \$192.71  
Doverish (IA) 10 1/4% Deb. '17 \$3.125  
F & C Eurotrust 1.25p  
FR Group 4.25% 2nd Pnt. 2.1p  
Rap. of Italy FRN's 2000 \$174.74  
Leeds Perm. Bldg. Soc. Sub. Var. Rate Nts. \$165.48  
Marine Midland Bk NA Sub. Cap. FRN's '96 \$157.35  
Midland Bk Und. Prim. Cap. FRN's \$254.17  
Sketchley 1p  
Slipstream Bldg. Soc. Sub. FRN's 2000 \$3093.18  
Woolwich Bldg. Soc. 9 1/4% Fxd/Flg. Rate Nts. '95 \$30.62

##### FRIDAY

Anglo Amer. Coal R1.5  
Bristol Bldg. Soc. FRN's '97 \$151.77  
L2F Service 6 1/4% (4.55% net) Pnt. 2.25p  
Manchester 9% Red. 75p  
Do. 4% Ind. 22  
Seaham Merchant Bldg. FRN's '95 \$465.00  
Smaller Co's Inv. Tst. 1.4p  
Wellcom Gold R1.25  
Whitbread 7 1/4% Red. Deb. 89/94 \$2.993835  
Do. 9 1/4% Red. Deb. 91/96 \$2.583536

##### SATURDAY

Metropolitan Water Board Kent WW 3% Deb. 21.5  
TSB Gtd. Fld. Pnt. Pnt. 0.67p

#### UK COMPANIES

##### TODAY

COMPANY MEETINGS:  
Goodhead, Chaucer Intl. Estate, Linton Road, Bicester, 10.30  
Graystone, Institute of Directors, Pall Mall, 10.30  
BOARD MEETINGS:  
Finais:  
Eurotherm  
Interim:  
British Thornton  
BBB Design  
EPM Japan Tst.  
Fletcher King  
F & C Smaller Co's  
Ivory & Stone  
Mosaic Inv.

##### TOMORROW

COMPANY MEETINGS:  
F & C Eurotrust, Exchange House, Princess Street, E.C.1, 12.15  
Greenwich Communications, 36 Elder Street, E.1, 10.00  
BOARD MEETINGS:  
Finais:  
Bentleys  
Interim:

Bespak  
Faulstich Trading  
Forminster  
Jones & Shipman  
Novo  
Weaver Water

##### WEDNESDAY

COMPANY MEETINGS:  
Broadgate Inv. Tst. 9.00  
Charterhouse Street, 12.30  
Cydia Bowers, Livingstone Street, Clydebank, 11.20  
Sheafbank Property Tst. 6.2  
Threadneedle Street, E.C.1, 10.00

##### THURSDAY

COMPANY MEETINGS:  
B&M Group, Town Hall, High Street, Chippenham, Wiltshire, 11.00  
BOARD MEETINGS:  
Finais:  
Abbey Panels  
Interim:  
EPF  
Gold Greenless Trot  
Elder Street, E.1, 10.00

Bulkers, 190 Strand, W.C.1, 9.30  
Unigroup, 81 Doughty Street, W.C.1, 9.30  
Watergate Intl., 6 Baker Street, W.1, 2.30

##### BOARD MEETINGS:

Finais:  
Kelsey  
Spartan (CA)  
Interim:  
Electric & Gen. Inv. Tst.

Company meetings are annual general meetings unless otherwise stated.  
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

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FINANCIAL TIMES  
**CITYLINE**

Architecture/Colin Amery

## Looking for laurels

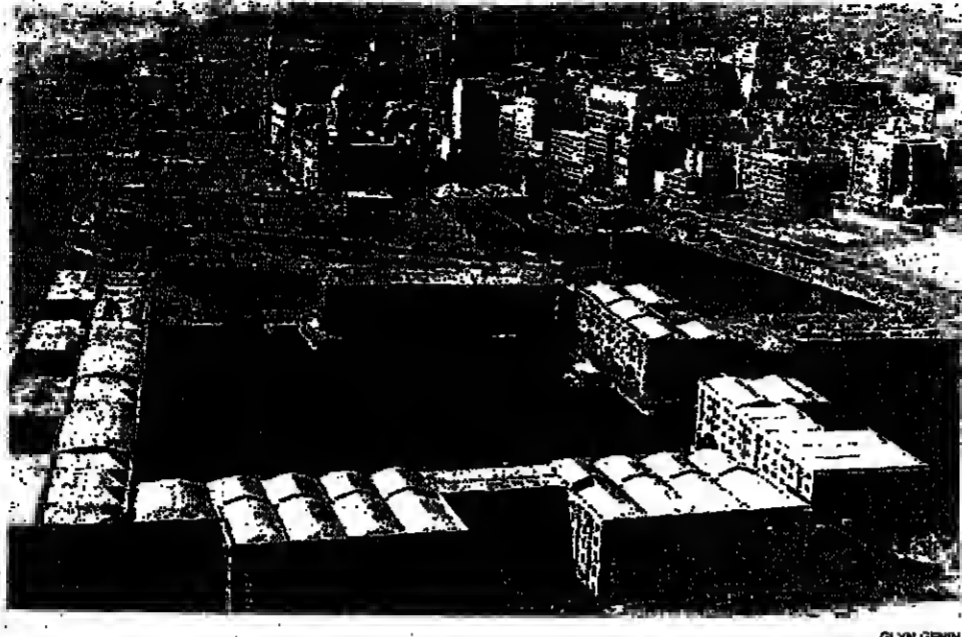
By October this year, 11 cities in the UK had applied to be considered as City of Architecture and Design for 1994, under the Arts Council's Arts 2000 initiative. Each year, cities are invited to make bids to the council to host a year-long celebration of a particular art form. The shortlist for 1994 has now been announced: it is Edinburgh, Glasgow and Liverpool. Other bids came from Cambridge, Greenwich and London Docklands.

The awards are more than just hype. In 1992, Birmingham was a successful City of Music. Next year, the East Midlands will be Region of Dance, which does not have quite such a ring about it. In 1995, Swansea will be City of Literature and the Electronic Image in 1996 and a year of "ice-planting and the fluorescent image" to celebrate the millennium.

We will not know which city has won the architectural nomination until a series of day-long visits and a fair amount of junketing has taken place to win the hearts and minds of the selection panel.

The judges have been chosen largely from the *Jurassic Park* of architecture: Lord St John of Fawley, Professor Colin St John Wilson, Sir Terence Conran, the president of the Royal Institute of British Architects, and one or two others. There is the wise addition of two people too busy to be on the full-time panel but who will visit the cities and help make the final choice. They are Simon Jenkins, former editor of *The Times*, and Bernard Rogers, deputy mayor of Paris.

A lot of arts money is spent on these thematic years and the winning city will receive £400,000. The Arts Council describes 1994 thus: "The focus of the year will be excellence in the promotion of public appreciation of architecture and design, including landscape and civil engineering design. Proposals may include initiatives which aim to promote good design for the public."



Liverpool's artistic and architectural heritage is second to none and is not sufficiently known. It has great architecture of all periods from Georgian to the 20th century.

In theory this is a good idea to encourage public awareness of architecture, although the worrying thing is that it seems to be tied up with the Arts Council's obsession with "architecture centres". It cannot be a coincidence that the three shortlisted cities have promised to build such centres. These cities should be warned by theiasco that surrounds the proposal to build a literature centre in Swansea to an amazing design by Alsop and Lyall, leading architects of the avant-garde. The proposal sadly appears to have bitten the dust. Put not your trust in arts councils.

Architecture centres have only a limited use because the real resource is the city itself. Books, tours, films and videos are available, but best of all are a good pair of shoes and a guide so that you can walk and look. I do not recall Alec Clifton-Taylor or Sir John Betjeman or Sir Osbert Lancaster ever mentioning the phrase architecture centre - and they opened more eyes to architecture than any arts bureaucracy can ever hope to do.

Glasgow has certainly discovered the value of promotional skills and is already adopting a hard-sell approach. Its bid is based on the theme "The City as a Living Artwork", which sounds ominous. One of its ideas that will appeal to restaurateur Terence Conran is a design cafe where designers from Tokyo, Barcelona and Milan will be linked via computer and video for discussions over the phone. I wonder whether designers eat more daintily than other mortals. We shall see. Designer haggis is rather a frightening thought.

In its eternal wisdom the Arts Council has decided, according to its spokeswoman, to promote civil war in Scotland by pitting Glasgow's amazing talent against the dazzling genius of Edinburgh. Edinburgh plans to base its 1999 International Arts Festival on the theme of architecture and design and to rely on the excellence of its present urban development programme.

Liverpool is wisely being a little more circumspect

because it should, by any standards, be the winning city. First of all, Liverpool's artistic and architectural heritage is second to none and is not sufficiently known. It has great architecture of all periods, from Georgian to the 20th century. It is also a city that needs as much outside help and support as it can muster, because of its relatively sudden decline and because it is recovering from a bad attack of political madness.

It has some of the best buildings in the UK from its days as the third-largest city, and it has arguably the greatest street scene in the country. When I recently took an American visitor there, he thought he had arrived in Athens when he walked out of Lime Street Station. Sterling work has been done to preserve the city's best architecture and to build some new buildings.

Liverpool is by far the most deserving candidate to be City of Architecture and Design and trendy Glasgow and staid Edinburgh should look to their heels because the competition will be tough indeed.

Ballet/Clement Crisp

## Something to remember

Sir Peter Wright's version of *The Nutcracker* at Covent Garden is a delight. It is an example of how the old ballets, which are our ancestral jewels, can be shown off, lovingly and carefully reset, and made to enhance our dancers.

The secret is that, for once, a producer of the classics has listened to the score. I am increasingly of the view that some choreographers are deaf, that others are musically illiterate, and that yet others stick their fingers in their ears as they enter the rehearsal room. How else to explain the brutalisms that are inflicted upon the Tchaikovsky scores, and the sheer bloody-mindedness of the way music, modern and ancient, is misinterpreted? We cannot hope for creators as educated and perceptive as Balanchine, who studied the Petrushevsky Conservatoire, but it is a failing in companies when choreographers are not given guidance with a score. We

should be saved many a chain-saw attack on defenceless composers were there more rigorous winnowing of musical choices. Wright has listened to his score, has understood its magic and its melancholy, and has seen how the overt narrative and the mysterious subtext, which is Tchaikovsky's vision of childhood, can be made real for us. Everything works in the staging, and everything persuades us that it is right. Julia Trevelyan Oman's snowy Trevelyan frames an enchanting Biedermeier interior, which the Royal Ballet's artists fill with warm, generous characterisations. Derek Rencher and Sandra Conley preside over the Christmas party, and they and their guests are winningly shown. The mouse battle, the Christmas tree's transformation, the haunting figure of Drosselmeyer (well taken by Stephen Wicks), and the sprightly - but not too sprightly - cohorts of the

Royal Ballet's Junior School, make a spectacle that combines fun and sudden darker tones that are *à la Hoffmann*. The glories of the first act's music - the sublime sweep of Tchaikovsky's imagination that takes us from the end of the party to the close of the snow scene - were excitingly clear under Barry Wordsworth's baton on Friday night, and not one note was betrayed by the staging. I salute the young Naomi Reynolds as Clara, a delightful child and enchantingly spacious in her dance with the transformed Nutcracker. And it was very good to see Philip Mosley again as this hero - youthfully dashing as any little girl could wish. I salute, indeed, everyone in the first act: they (and Peter Wright) show us why the score is a masterpiece, and why in Balanchine's words, "Hoffmann's *Nutcracker* is a serious thing wrapped in a fairy tale". In the second act there must always be problems with those

sticky divertissements. But once we had got through them on Friday, we had Lesley Collier and Irak Mukhamedov to bring off the great duet with authority. Collier listens to the music: she knows that its sorrows cannot be expressed, but that to dance it the ballerina must have dignity. Her performance was wholly apt: subtle in musicianship, pure in statement, with nothing forced and nothing too beguiling. I have not seen her dance it better, nor with greater sympathy for its choreographic and emotional tone, elegant rather than festive. I felt happy for the many children in the house; they will have something very special to remember. They will also have Mukhamedov's noble presence to recall. The cavalier's part is nothing. Mukhamedov gave it grace of means, true charm, and very polished dancing.

The Nutcracker continues in repertory at Covent Garden

Opera/Max Loppert

## An end to the Gloriana myth

This wonderful new *Gloriana*, which crowns a year of exceptionally successful activity at Opera North, surpasses all expectations. These were pretty high-pitched: for this is, after all, the first entirely new British production of Britten's 1963 Coronation opera for 27 years (and, indeed, only the third British production in the work's history). And it arrives soon after the issue, widely and justly praised, of the work's first-ever recording.

The recorded *Gloriana* (on Argo) stimulated an excited reappraisal of the work's qualities. This new staging, a demonstration of British music-theatre at its most imaginative, will surely take the whole valuable process a great deal further.

It can hardly be a coincidence that Opera North shares with Argo both the occupant of Britten's title role - Josephine Barstow, of whose sovereign vocal and theatrical gifts the occasion affords yet another

priceless example - and an approach to the work that can only be described as mission-ary. The myth of *Gloriana*, the fruit of a misbegotten Coronation commission, savourless and even sterile in spite of its expertly deployed Grand Operatic machinery, has taken a long time dying. After Saturday evening its end must be nearer than ever.

The glitter, sweep and zest of the performance, its speed of

unfolding and command of memorable gesture, its decisive, intimate meshing of "period" and "modern" theatrical device, simply bowl one over. These are qualities as much musical as dramatic: for in look and sound, in the style and deportment of the large cast (dancers no less than solo and chorus singers), the show bears the hallmarks of closely unified thought among all its collaborators.

A thread of unassailable theatrical logic binds the production. It is immediately evidenced in the springy freshness of the orchestral playing under Paul Daniel, who reveals his admirably firm grasp of the scope and purpose of Britten's scoring. Over and over the ear is struck by the particular way the large orchestra is used - "weightlessly", with a layering of timbre that at once places the opera's formal and scenic contrasts and suggests the up-to-date tensions informing the evocation of historical situations and personages.

Mr Daniel keeps the pacing taut, and so does the staging by Phyllida Lloyd in the designs of Anthony Ward, a brilliant piece of work. Leitmotifs of the Elizabethan theatre abound - a wooden-box arena (which put me in mind of the Hampton Court tennis court) containing every scene, huge shadows suddenly thrown by footlighting. Likewise, images taken from late 15th century iconography, bold costume textures and colours creating a

sense of extravagant court ritual that affords the production its peculiar piquancy of flavour.

There is humour in it, a lightness of touch showering unsuspected benefits in the Norwich Masque - although even the Lloyd-Ward brand of theatrical zip cannot render entirely free of Gainsborough Films-style rhabarb the London street scene and the plentiful embellishments of its gothic blind balustrade (a case for simply cutting the whole scene?). More important, an erotic energy is tapped from the relationship of Elizabeth and Essex that newly strengthens Britten's acute balance of private and public worlds - an uncomfortable and even painful balance, with its resonances of a historical situation and in the composer's own emotional and psychological complexities.

Neither previous account of *Gloriana* that I have seen (at Sadler's Wells and at the Coliseum) possessed this unflinching directness. It emanates directly from the peering of Barstow's Elizabeth, crafty, tough, violent and generous by turns, and Thomas Randle's agile, poetic Essex, long locks, lean frame and sultry good looks perfectly in place, weaknesses and strengths impetuously commingled. Further playing-in will surely encourage her to deliver all the sung words as clearly and eloquently as she does those of the final spoken passages

(given in full and wholly justified in context). He will surely learn to find sweeter lyricism in the lute songs.

Already, both are unforgettable. Around them Opera North has assembled an attractive young cast, graced by Karl Morgan Daymond's handsome Mountjoy, Susan Chilcott's incisive Lady Rich, Yvonne Burnett's gentle Lady Essex, and the precise, distinctively uttered Spirit of the Masque of Paul Milon. I love Kate Platt's choreography, and the wit with which an all-male troupe carries it off.

No weaknesses? Well, Eric Roberts lacks as yet the art of impressing subtle, grave authority on every syllable of Cecil's "Song of Government". And, as a general point, the re-disposition of a three-part opera into two parts (with a long pause at the three-quarter mark) allows the audience insufficient breathing space between scenes. It also denies them the full impact of Elizabeth's prayer, which Barstow sings with magnificent concentration - this should provide the opera's first great curtain-close and here falls to do so.

Otherwise, highest praise all round. The production visits Covent Garden in February, and Nottingham, Manchester, Norwich and Hull after that. Head for the box office now.

Sponsored by Nottinghamshire County Council, with a grant from the Britten Estate

Theatre

## Perfectly suitable for children

There is much talk presently about educational theatre. Some- one said to me at the weekend that the reason why Adrian Noble's new production of *Macbeth* at the Barbican is so slow is that it is unduly influenced by educational techniques: you have to play every line as if no member of the audience has ever heard it before. And I read in another newspaper that current production of Bertholt Brecht's *Mother Courage* at the Cottesloe should never have been included in the Royal National Theatre's educational programme because it is unsuitable for children, although - to be fair - the same critic thought the play was also unsuitable for adults.

My own reservations are different and are prompted by watching *The Fantastical Legend of Dr Faustus* at the Shaw Theatre in London last week. This is an adaptation by Michael Bogdanov, artistic director of the English Shakespeare Company, of the famous *Faust* story. It is described as "theatre for 8-14-year-olds". The production will tour the UK in the new year before going to the Middle East.

There is nothing particularly wrong with it. Indeed, the huge puppets in the show, designed by James Barton, are rather attractive. What I can't understand is why *Faust* needs to be rewritten for children. There is nothing in at least the Christopher Marlowe version of *Faust* that the young are incapable of following, and many elements in Marlowe that are a great

deal better than anything devised by Bogdanov: the verse, for example. For no explicable reason, the ESG has changed Marlowe's lines into rhyming couplets. As for the seven deadly sins, they were played just as well and quite as suitably for children, in Marlowe's *Dr Faustus* at the Greenwich Theatre last month. It is as though Bogdanov is teaching the children to believe in Father Christmas in order to learn that the best is still to come.

Sam Wanamaker, who died at the weekend at the age of 74, almost literally gave his life to Shakespeare. An American actor who came to England in the early 1950s, partly to get away from the McCarthy ethos, he dedicated himself to founding a new Globe Theatre based on the original, as close as possible to the initial site.

Not everyone was kind to him: local authorities, official arts bodies and the English theatre establishment could have given him more encouragement. Yet Wanamaker pressed on. A wonderful German production of *The Merry Wives of Windsor* was performed on the foundations of his new Globe early this year. In a year or so the edifice should be complete. It should bear his name: for Wanamaker realised what many English do not - the pull of Shakespeare, and the old Globe Theatre, around the world.

Malcolm Rutherford

Theatre/Andrew St George

## The importance of a little style

Oscar Wilde (1854-1900) knew that in trivial matters, the most important thing is style, and that the most important thing is style. All the more surprising that *The Importance of Being Earnest* at the Royal Exchange, Manchester, should be so un-stylish.

The director, James Maxwell, has set the play in the early 1900s. The designs by Tom Rand use an uncomfortable alliance of René Mackintosh chairs and Art Deco in town to contrast with the Arts & Crafts interior in the country. This is right, in that the play is about the Country versus the City. But the sets seem extreme, and changing them means two intervals in a play that should career to a conclusion.

The play could run on its own, without the actors: those lines about careless children, handbags and railway stations are carefully set in social aspic for the discerning palate. Add a few cucumber sandwiches and a plate of muffs and the set would be complete.

The production has two drawbacks. First, the Royal Exchange, in the round, is disadvantaged with Wilde. His comedy depends on looking at rather than joining in. A round theatre makes you want to reach out for a slice of the tea cake, and it makes the actors restless to speak to every part of the theatre.

The second drawback is that the actors have yet to find their range. Wilde is all about uncomfortable social situa-

tions, and his brilliance in comedy was to apply a patina of politeness to rank improbabilities. The more serious the lines the funnier they appear. Two women in love with the same man called Ernest who turns out to be Ernest and two separate men is a plot that needs to be treated with a certain gravitas.

Samuel West as Algernon Moncreiff gets it right in the first act, and Neil Dudgeon as Jack Worthing in the third. But there is little else of the play's spirit in between. Lady Bracknell (Arlene Elgar) should be a Dreadnought in heavy seas, but here seems more like a cutter in light winds. She wears pink, and has what looks like skate wings high around her collar; this means she cannot be heard, so the lovely lines about courtship ("He is ostentatiously eligible; he has nothing but he looks everything") and marriage ("We live, I regret to say, in an age of surfaces") are lost.

The direction should make the actors less restless, the lighting (Robert Bryan) needs to give the scenes more visual depth, and the action should proceed with greater rigour. If flirting with your spouse is the winning move, it is in public; flirting with Wilde is another basket of laundry entirely; he will be sure to remind you, even if he has not yet said it, that only the mediocre are always at their best.

Sponsored by Ernst & Young. The Royal Exchange Theatre, Manchester (061 833 9833) until January 29

## INTERNATIONAL ARTS GUIDE

## BERLIN

**OPERA/DANCE**  
Deutsche Oper Tonight: Peter Schaufuss' production of *Nutcracker*. Tomorrow: Tosca. Wed: Hansel and Gretel. Thurs: Rafael Frühbeck de Burgos conducts Götz Friedrich's new production of *Un ballo in maschera*, with Maza Zampieri, Neil Shicoff and Vladimir Chernov (repeated Dec 27, Jan 4 and 7). Sat: Meistersinger with Wolfgang Brendel and Eva Johansson. Dec 30: Aida with Julia Varady. Dec 31: Tchaikovsky ballet gala (341 0249).

**THEATRE**  
Staatsoper unter den Linden Wed, next Tues: Daniel Barenboim conducts Harry Kupfer's new production of *Die Walküre*, with a cast led by Deborah Polaski, John Tomlinson and Poul Elming. Thurs, next Mon: Hansel and Gretel. Dec 25: Patricia Bart's production of *Minik's* ballet Don Quixote. Dec 26: Madama Butterfly. Dec 29, 31: Barenboim conducts Beethoven's Ninth Symphony. Jan 1, 6, 7: Die Fledermaus. Jan 2: *Nutcracker*. Jan 5: La traviata with Eva Mei.

(200 4762/2035 4494)

## CONCERTS

Schauspielhaus Tonight, tomorrow: Daniel Barenboim conducts Berlin Staatskapelle in works by Beethoven, Boulez and Rimsky-Korsakov. Wed: Hartmut Haenchen conducts CPE Bach Orchestra in Telemann, Locatelli and Haydn (2090 2156). Philharmonie Tonight, tomorrow: Nikolaus Harnoncourt conducts Berlin Philharmonic Orchestra in Schubert. Thurs: Bach's Christmas Oratorio. Dec 30, 31: Claudio Abbado conducts Wagner (2548 8132).

● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9288)

## NEW YORK

## THEATRE

● Angels in America: Tony Kushner's epic two-part drama - about religion, sex, AIDS and corrupt politics - conjures a vision of America at the edge of disaster. Part one, *Millennium Approaches*, has now been joined by its sequel, *Perestroika* (Walter Kerr, 219 West 48th St, 239 8200).

● The Kentucky Cycle: Robert Schenker's 1992 Pulitzer Prize-winning drama follows 200 years in the life of a mining family in Appalachia, and is performed in two parts (Royale, 242 West 45th St, 239 8200).

● Abe Lincoln in Illinois: Robert

E. Sherwood's 1939 drama about Lincoln's life in the years running up to his presidency. See *Waterloo* has the title role (Vivian Beaumont, Lincoln Center, 239 6200).

● The Ash Fire: a comedy by Gavin Kostick about a Polish family who mistakenly land in Ireland as they try to stow away to America (American Jewish Theatre, 307 West 26th St, between Eighth and Ninth Avenues, 693 9787).

● Any Given Day: Frank Gilroy's new play demonstrates that dysfunctional families existed in the Bronx as far back as 1941 (Longacre, 220 West 48th St, 239 6200).

● Later Life: A.R. Gurney's witty, perceptive play about a man and woman who meet after a 30-year separation (Westside, 407 West 43rd St, 307 4100).

● Jeffrey: Paul Rudnick's comedy about love in the age of AIDS. Till Jan 16 (Minetta Lane Theatre, 18 Minetta Lane, 420 8000).

● The Sisters Rosenzweig: Wendy Wasserstein's play about three American Jewish sisters who have a reunion in London (Ethel Barrymore, 243 West 47th St, 239 6200).

● A Grand Night for Singing: a 50th anniversary musical celebration of the collaboration of Rodgers and Hammerstein, with songs from *Oklahoma*, *Carousel*, *The King and I*, *The Sound of Music* and others. Till Jan 1 (Roundabout, Criterion Center, 1350 Broadway at 45th St, 889 8400).

● Kiss of the Spider Woman: the Kander and Ebb musical with a star performance by Chita Rivera in the title role (Broadhurst, 235 West 44th

St, 239 6200).

● She Loves Me: the 1963 Book, Hammer and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100).

● My Fair Lady: a new production of the Lerner and Loewe musical based on Shaw's *Peter Pan*. Directed by Howard Davies, with a cast including Richard Chamberlain and Melissa Erico (Virginia, 245 West 52nd St, 239 6200).

## OPERA/DANCE

Metropolitan Opera Highlights of the Christmas holiday period include *Les Troyens* with Françoise Pollet and Gary Lakes, *Il barbiere di Siviglia* with Thomas Hampson and Ruth Ann Swenson, and *Lombardi* with Luciano Pavarotti. No performance on Christmas Day (362 8000).

State Theater New York City Ballet's Christmas production is the Balanchine version of *Nutcracker*, daily till Jan 2 except Dec 24, 25, 27 and Jan 1. Repertory performances resume Jan 4. The season runs till Dec 27 (870 5570).

Joyce Theater American Indian Dance Theatre is in residence till Jan 2 (242 0800).

CONCERTS  
Avery Fisher Hall The next New York Philharmonic concerts are on Dec 29, 30 and 31, when Leonard Slatkin conducts works by Respighi, Dohnányi and Stravinsky (875 5030).

Carnegie Hall New York String Orchestra, led by its new conductor Jaime Laredo, performs its annual holiday concerts on Christmas Eve

at midnight and Dec 29 at 8pm (247 7800).

## JAZZ/CABARET

Algonquin Hotel Westla Whitfield, one of the most assured jazz-cabaret voices to arrive in New York in recent years, is in residence in the Oak Room till Jan 1, daily except Sun and Mon (59 West 44th St, 840 6800).

Carlyle Hotel Singer and showman Bobby Short is in the Catskills for the Christmas season with songs by Gershwin, Berlin, Ellington and others, all delivered with sophistication, humour and pathos (Madison Ave at 78th St, 744 1600).

Rainbow & Stars Leonard Bernstein Revue. Till Jan 1 (65th floor, GE building, 30 Rockefeller Plaza, 632 5000).

## PARIS

## OPERA/DANCE

Opéra Bastille Mirella Freni sings the title role in a new production of Adriana Lecocquer opening tonight, staged by Jean-Luc Boutté and conducted by Maurizio Benini. The cast also includes Giacomo Aragall and Alexandrina Milcheva (repeated Dec 22, 27, 30, Jan 3, 8, 10, 13 and 15). The only production over the holiday period is Offenbach's *Les brigands* (4473 1300).

Palais Garnier Ballet de l'Opéra de Paris presents John Neumeier's 1974 production of *The Nutcracker* daily till Dec 31, except Christmas Day (4742 5371).

Châtelet Jan 7-23: Ballet Cristina Hoyos with a new flamenco work (4028 2840).

## CONCERTS

Salle Pleyel Thurs: Marek Janowski

conducts concert performance of Ravel, with Eve Jenik, Michèle Lagrange, Hanna Schanz and Peter Dvorsky. Jan 5, 6: Lynn Harrell plays Elgar's Cello Concerto. Jan 12, 13: Medley Rostropovich plays Scriabin's Second Cello Concerto (4561 0630).

Théâtre des Champs-Élysées Jan 9, 10: Yehudi Menuhin conducts Sinfonia Varsovia in two Beethoven programmes. Jan 12: Shomo Mintz. Jan 16: Midori. Jan 31: Yevgeny Kissin (4952 5050).

JAZZ/CABARET  
American jazz singer/pianist La Velle is in residence at Linnell Hampton Jazz Club in harness with Gerard Baden's Swing Machine, daily till Sat except Christmas Eve. Dec 27-Jan 8: Allen Toussaint (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

## THEATRE

● The Rise and Fall of Arturo Ui, Brecht's Nazi allegory, is directed by Jérôme Savary at Théâtre National de Chaillot, with Guy Bedos in the title role. Daily except Mon till Feb 26 (4505 1450).

● Isben's *The Wild Duck* has joined the repertory of the Comédie Française, directed by Alain Françon (4015 0015).

● Maxim Gorki's pre-revolutionary drama *Children of the Sun* (1905) opens at Odéon-Théâtre de l'Europe on Jan 8, directed by Luis Pasquel (4441 3636).

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4952 5356.

## ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time)

MONDAY TO FRIDAY  
Super Channel: European Business Today 2230; repeated 0830, 0715  
MONDAY  
Super Channel: FT Reports 1230.

TUESDAY  
Super Channel: West of Moscow 1230  
EuroNews: FT Reports 0745, 1315, 1545, 1845, 2345  
WEDNESDAY  
Super Channel: FT Reports 1230

THURSDAY  
Super Channel: West of Moscow 1230; FT Reports 2130  
EuroNews 0745, 1315, 1545, 1845  
FRIDAY  
Super Channel: FT Reports 1230

Sky News: FT Reports 2030  
SATURDAY  
Sky News: 0330; 1330  
SUNDAY  
Super Channel: FT Reports 2230  
Sky News: FT Reports 1730; 0430

# The 'new' frontier in economics

Neoclassical theory is simply an inappropriate tool to analyse and prescribe policies that will induce development. It is concerned with the operation of markets not with how markets develop. How can one prescribe policies when one doesn't understand how economies develop?

I quote from the provocative Nobel prize lecture delivered in Stockholm this month by Professor Douglass North of Washington University in St Louis. North's sceptical remarks deserve attention given the turmoil in Russia, and to a lesser extent, eastern Europe. Most of the advice these countries are getting from western institutions such as the International Monetary Fund is based on the "neoclassical" theory (orthodox market economics) that North denigrates.

North, originally an economic historian, is a champion of the so-called "new institutional economics". In his view, neoclassical theory begs all the important questions. The crucial neoclassical assumption is that individuals seek to maximise their income or satisfaction in a world where resources are scarce. They thus make "optimising" choices. For example, people work up to the point where the income from their last hour of labour just equals the value of the leisure foregone. With some important caveats, such assumptions lead to laissez faire prescriptions: governments should sit back and leave production to competitive markets and free enterprise.

The problem, according to North, is that this assumes a frictionless, static world in which "transactions costs" (the cost of specifying what is being exchanged and of enforcing agreements over time and space) are zero. Such a world never has and never will exist. In reality, the impersonal exchange between millions of participants required in a dynamic market economy imposes formidable transactions costs. People, for example, need to be certain that contracts will be honoured years into the future.

As a result, economic performance depends crucially on the setting in which market



MICHAEL PROWSE  
ON  
AMERICA

exchange occurs - on complex institutional arrangements that neoclassical theory takes for granted. By institutions, he means "rules of the game". These include formal rules (such as legal property rights) and, importantly, informal "norms" of behaviour - for example a reluctance to shirk or cheat even when there is little risk of discovery. The institutions that happen to exist depend on inherited ideologies - the "mental models" that people use both to explain the world and to prescribe how it ought to be. Too often these are inimical to progress.

Formal rules can be changed overnight. But informal codes of conduct and ideologies change slowly. It is these that prevent rapid economic improvement in formerly communist countries and much of the third world. This, then, is the new "institutional frontier" with which economists must grapple.

North's arguments are impressive and irritating in almost equal measure. The notion that institutional economics is new is faintly absurd if one considers classics such as Adam Smith's *Wealth of Nations* (1776). Smith certainly understood the importance of institutions and ideology; indeed he set out to change the rules of the game. And politicians such as Pitt the Younger soon began to put his ideas into practice, creating the conditions for Britain's commercial efflorescence in the 19th century. "What an extraordinary man Pitt is: he understands my ideas better than I do myself," Smith remarked at a London dinner party.

Nor could Karl Marx be charged with indifference to institutions and ideologies. The problems of the former communist countries seem intrac-

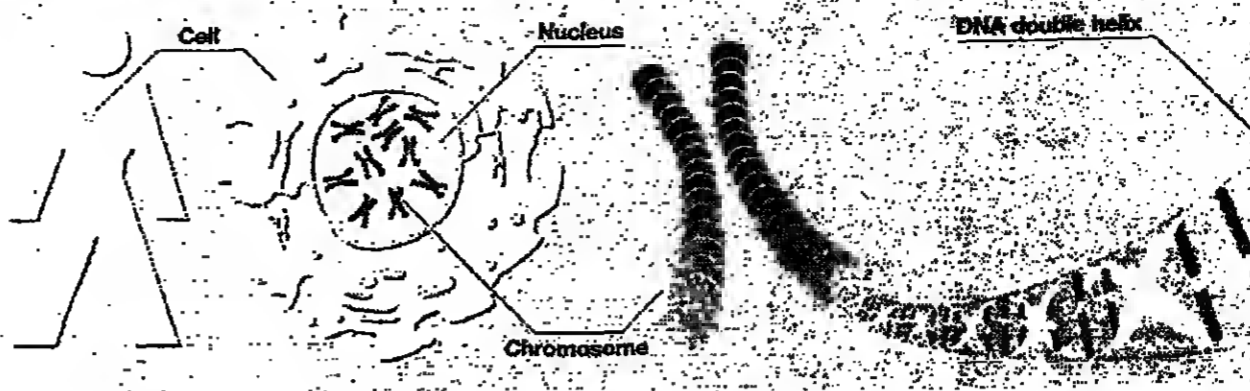
table precisely because Marxian concepts such as "exploitation" became so deeply entrenched. In our own century, several distinguished economists struggled valiantly to change people's mental models and hence bring about institutional reform. This was the raison d'être of Austrian critics of socialism such as von Mises and Hayek.

North, however, has emerged from the Anglo-American neoclassical tradition of recent decades. His criticism of his peers - be they at Harvard, Chicago or the London School of Economics - is justified. Many leading academics have a narrow intellectual outlook. They have become too absorbed with the mathematical properties of ideal (and implausible) economic models. If North's Nobel prize brings them to their senses - and makes them focus on the real world - it will have performed a singular service.

My other caveat about North is that he seems to have few concrete policy proposals. It is helpful to emphasise that the success of policies will often depend on prior changes in attitudes and institutions. But I doubt this comes as a surprise to the hard-headed officials struggling with reforms in formerly communist countries. What they need are practical suggestions. North is quick to criticise neoclassical ideas. In a recent paper for the Cato Institute, a Washington think tank, he dismissed privatisation as a "simple-minded notion" and a "travesty of institutional reasoning". All right, so what does he recommend?

The answers are presumably to be found in North's first love: history. Against the odds, some countries have effected stunning transformations of their institutions and ideologies. The best examples are Japan's Meiji Restoration and the recent rise of the Asian "tigers". These countries successfully transplanted a version of western capitalism into quite unpropitious soil. This is where the new institutional economists should dig if they hope to produce relevant policy prescriptions. In the meantime, the soundest guide is the proven wisdom of thinkers such as Adam Smith.

## The route to the genetic code



Annual fund-raising telethons, added to a \$10m bequest, have financed an astonishing tour-de-force for French science: the first "map" showing the entire genetic make-up of mankind. It will help researchers move more quickly to identify the genetic causes of thousands of diseases.

Last week's publication of the "physical map" of the human genome by the Centre d'Etude du Polymorphisme Humain (CepH) in Paris is a landmark in medical research. And it rounds off a golden year for genetics - the most productive since 1953 when James Watson and Francis Crick discovered the double-helix structure of DNA, the chemical that encodes genetic information.

During 1993, the world's researchers have found the precise genetic cause of scores of inherited diseases, including Huntington's chorea, a type of dementia, and several forms of cancer. CepH says its map will enable gene hunters to move 10 times faster in future. There is now a real prospect of deciphering all 3bn chemical "letters" in the human genetic code - known collectively as the genome - by 2000.

"Before today, a physical map existed for only two per cent of the human genome; our map covers about 90 per cent," says Dr Daniel Cohen, the ebullient director of CepH. He is a natural performer - whether explaining genetics or playing the piano at the annual telethon, sponsored by the French muscular dystrophy association, which raises \$12m a year for gene mapping at CepH and its daughter laboratory, Génethon.

American gene mappers, who receive \$15m a year from the US government's grandiose Human Genome Project, have been amazed by the rapid progress at CepH and Génethon. But they were happy to swal-

# A spur for the gene hunters

Clive Cookson says the mapping of mankind's genetic make-up marks a medical landmark

low national pride and acclaim the French achievement. Dr Francis Collins, head of the US National Centre for Human Genome Research, calls the map "an enormous practical boost to gene hunters". "This will allow scientists throughout the world to discover more quickly the genes that cause diseases such as muscular dystrophies, epilepsy, diabetes, asthma, cardiovascular (heart) disease and certain cancers," says Dr Glen Evans, director of the Salk Institute's Human Genome Centre in California.

Researchers looking for the cause of an inherited disease search first for "genetic markers" - stretches of DNA near the target gene that are present in patients but not in other people. Now, they should be able to find these markers like landmarks on the new map and home in quickly on the gene responsible.

Researchers can produce a diagnostic test for an inherited disease as soon as they know the genetic cause. A treatment takes much longer to develop. Take for example cystic fibrosis, the lung disorder, for which the gene was identified in 1989. Widespread testing for CF started in 1991, but the first clinical trials of CF gene therapy - delivering correctly functioning copies of the defective gene to patients' lungs - did not begin until this year; at least five years further clinical

development will be required before this treatment becomes widely available.

Asked why his team was first in the world to produce a genome map, Dr Cohen points out that he started before anyone else. "I founded CepH in 1983 with Jean Dausset (a Nobel-prize winning geneticist) using a \$10m bequest from a French art collector. So we had six years experience before the Human Genome Project was launched in the US in 1989."

Others attribute CepH's suc-

cess to Dr Cohen's single-minded enthusiasm. "He created a unique environment in which to carry out such a large-scale task, at a time when it was not possible anywhere else," says Dr David Bentley, head of human genetics at the Sanger Centre near Cambridge in the UK. "He identified the best techniques and automated them very effectively."

CepH and Génethon operate 30 robots to do much of the work performed by scientists and technicians elsewhere - an unprecedented level of automation in biology research. The

essential technology for labelling and detecting DNA fragments was developed in collaboration with Amersham International, the UK life sciences company.

Creating the map is like solving an immensely complicated biological jigsaw puzzle - cutting up DNA in different ways with enzymes and fingerprinting the fragments to see how they overlap and fit back together.

The French scientists do not work with raw human genes. Instead they have refined a trick originally invented in 1987 in the US. They cut the human DNA into large pieces and transfer them into yeast cells. As the yeast grows and divides, it produces clones of the human DNA, known as yeast artificial chromosomes. These YACs are then sliced into smaller fragments for detailed analysis.

Dr Francois Gros, the geneticist who is secretary of the French Academy of Sciences, describes the resulting physical map as "a continuous ordered set of DNA fragments, essentially a guidebook to the genome". But to the uninitiated eye, it looks like an incomprehensible jumble of overlapping horizontal lines and vertical bars of different lengths, labelled with long strings of letters and numbers.

The data would form a pile of paper as high as the Eiffel Tower, if printed out in full. A

"condensed" version will be published as a 300 page book early next year. But any researcher wanting to use the map will have access to it on the internet computer network, which connects scientists around the globe.

"We have introduced a new style of communicating data," Dr Cohen says. "We have tested the database with some of our international collaborators but I guess it will take a few months before everyone gets used to it."

As a point of principle, CepH and Génethon will not try to patent the map or any of the information in it. But they recognise that, under the present rules, researchers elsewhere could use the map to identify specific genes and then patent them for diagnostic or therapeutic applications.

International collaboration on a large scale will be needed to fill in the gaps in CepH's map, find inaccuracies and improve its resolution. The aim is eventually to decode all of the estimated 100,000 human genes - and know precisely where each gene lies on the 23 chromosomes that make up the human genome. This is likely to be achieved in the first decade of the next century.

Dr Cohen promises the excitement of genetic research will feed through to patients, in the form of improved treatments, and eventually cures. "In 10 to 20 years most of the diseases caused by single gene defects, like cystic fibrosis, will be cured," he says.

The most serious ailments of western society, such as heart disease, mental illness and cancer, result from a far more complex interaction between multiple genes and the environment in which we live. But Dr Cohen says, "In 50 years most of these serious diseases will also be cured - and 50 years is almost no time in the history of medicine."

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Pensions: reform only answer to problems

From Mr John Morel

Sir, Barry Riley (The Long View, December 11) is to be congratulated on his pragmatic assessment of the "personal pension blues". As he points out, there are no implicit flaws in the personal pensions concept - it is the product design, distribution and regulatory framework which have caused the problems.

The Financial Services Act has only belatedly caught up with the post-1983 pensions regime. Even now anomalies exist - for example, rights under an occupational scheme are outside of the FSA. The legislative framework for pensions is unnecessarily complex - the Goode review team acknowledged this but was unable to suggest any real simplifications. Many of the complications are a consequence of conflicting tax and social security constraints - not least because of the inconsistencies of contracting-out arrangements.

Personal pension providers have exacerbated matters by designing products with obscure charging structures, partially to facilitate disproportionate commission payments - with acquiescence of the regulators. The investment and

interest rate risks associated with any "money purchase" provision are real but can be minimised through judicious use of a variety of investment instruments, including derivatives - and a more flexible approach to annuity provision - as highlighted by William Burrows ("Escaping the annuity trap", December 11).

Regrettably future changes will not redress matters for those who have been ill-advised in the past. However, what is needed is a creative and radical reform of the whole pension provision infrastructure - not tinkering with the existing framework and the introduction of further tiers of bureaucracy.

A new style, employer-sponsored personal pension with tax relief dependent on compulsory employer contributions and limited commission and overall expense loadings would be a step forward. The personal pensions golden goose may not be dead - but it is in desperate need of some swift intensive care.

John Morel,  
Pensions manager,  
Provident Life Association,  
Provident Way,  
Basingstoke,  
Hampshire RG2 2SZ

From Mr Hyman Wolanski

Sir, The only real surprise in the current controversy about transfers from company pension schemes to personal pensions is the extent to which everyone seems to be surprised by all this.

The problem mainly falls in two distinct areas:

1. Enticing members of company pension schemes to opt out of their company scheme into a personal pension; and

2. Transferring benefits left behind in a previous company scheme to a personal pension.

You do not need to be a genius - or even an actuary - to realise that an occupational pension scheme into which an employer is paying substantial contributions is normally going to produce much better benefits than a personal pension into which no employer contributions are made. Evaluating the option of giving up a deferred pension and taking a transfer value from a company pension scheme to a personal pension is extremely complex. Very few advisers have the necessary expertise in both company pension schemes and individual pension arrangements to carry out such an analysis properly. Those that can do this nor-

mally charge for the time spent on the exercise and in our experience very few individuals, or financial advisers, are prepared to pay for this advice. Hyman Wolanski,  
Wolanski & Co,  
Consulting Actuaries,  
114-118 Southampton Row,  
London, WC1B 5AA

From M G Newmarch

Sir, I am seriously concerned about the recent publication by the Securities and Investments Board of a KPMG survey on transfers of benefits from occupational pension schemes to personal pension contracts.

The survey looked at 240 companies out of the 240 members of Lantoro, the self-regulatory organisation - the Prudential was not among them. We have taken and continue to take a prudent and responsible approach to such transfers and do not accept the results of the survey apply to pension transfer policies arranged through Prudential representatives. Nevertheless we shall of course be happy to discuss any concerns our customers may have. M G Newmarch,  
Chief executive,  
Prudential Corporation,  
140 Holborn Bars,  
London EC1N 2NH

## PEPs, private investors and a lack of concern

From Mr Peter Spencer

Sir, Mr J D Wittle made a good point in his letter "Crest-fallen investors" (December 11) about the seeming lack of concern for the private investor in the drawing up of plans for the Crest share settlement system. I think there has been a similar lack of concern in the way that personal equity plans (PEPs) have been allowed to develop and I would like to feel that pressure will continue to be brought to bear on both matters.

Surely the Treasury - and the Bank of England - should see that the respective systems take fully into account the needs of the private investor.

In the case of Crest, it is essential that private investors should not be disadvantaged by a higher cost structure, but with both Crest and (self-select) PEPs it seems vital to me

that the investors' names should be "on the register" so that they receive balance sheets, proxy forms etc. The Bank of England Crest team is said to be wishing to improve what it calls the "visibility" of the relationship between companies and their shareholders when nominees are used - which I take to mean the same thing!

My plea is, therefore, that pressure should be maintained on behalf of the private investor in relation to Crest and to PEPs. Certainly ProShare should be supporting the case and I feel that it would be a great help if you would continue to publicise the matter on behalf of your private investor readers.

Peter H Spencer,  
310 Ewell Downs Road,  
Ewell,  
Epsom,  
Surrey KT11 3BT

## Seeking same subsidies

From J E Ferry

Sir, You are right ("Gait and the media", December 15) that many of the EU arguments are a smoke-screen for a commercial interest. You have unintentionally contributed to that smoke-screen by repeating the French disinformation that the Americans want subsidies for European films out or abandoned.

This is not so. What they do feel, and this is highly understandable, is that their European subsidiaries should bene-

fit from the same subsidies when the source of those subsidies is a levy on box office receipts and when those subsidies make films in Europe. Far from trying to intervene in the fiscal policies of sovereign states, the Americans are seeking to eliminate unlawful discrimination.

J E Ferry,  
LeBoeuf, Lamb, Leiby & MacRae,  
14 Rue Montigny,  
1040 Brussels,  
Belgium

## Food's fine, fuel's unfortunate

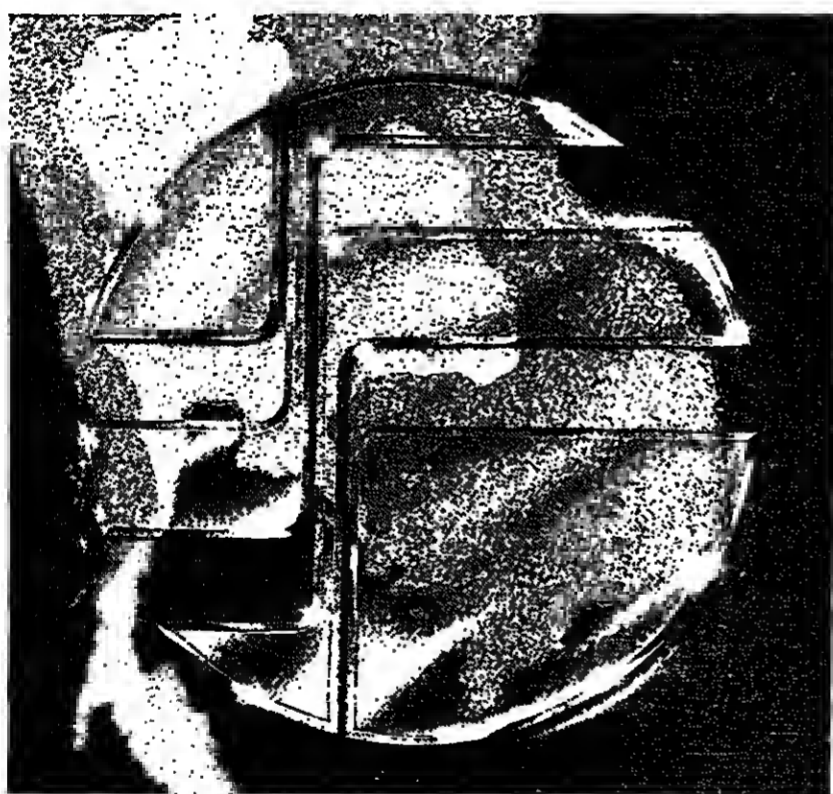
From M A Grazer

Sir, Gillian Tett's article on the developments in the Russian aviation industry (Business Travel, December 13) was both educational and humorous, particularly her descriptions of herb omelettes, champagne and roses.

I think her readers will be less amused, though, to learn

that the 161 new regional carriers in Russia use petrol to power their aircraft. My information is that kerosene (Jet-A1) is the most likely choice of fuel for safe and timely arrivals.

M A Grazer,  
158 Dora Road,  
Wimbledon,  
London SW19 7LJ



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## FINANCIAL TIMES

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Monday December 20 1993

## Europe's steel deal

The flurry of private steelmakers over Friday's deal by European Union industry ministers on state aid is understandable. Unsubsidised steel businesses, mostly private-owned, will be damaged by the agreement to approve Ecu/ton in hand-outs to inefficient state-owned companies in Germany, Italy, Spain and Portugal. Closure of more efficient, unsubsidised plants are now likely.

The acceptance of instantly unfair competition in the steel industry also sets a worrying precedent. In coming weeks, the European Commission will consider whether to approve state aid to several national airlines and Bull, the French computer group. It must be hoped that its negotiating position has not been weakened by the steel deal.

Yet it is also clear that it was never going to be politically possible to enforce a no-subsidies regime for steel. The German, Italian, Spanish and Portuguese governments would not have agreed to a course of action that brought about large and highly visible job losses in regions which already suffer from high unemployment.

The question is therefore not whether aid should have been approved, but whether a sufficient price was extracted in return. The main *quid pro quo* was an agreement by the offending governments to close 500 tonnes of capacity, and not to give their companies any more subsidies. But there were also fudges: new capacity is being built in Germany, while some of the Italian plant being "closed" has not been

producing steel since 1991. Mr Karel Van Miert, the competition commissioner who managed the deal, argues that it was not possible to take a tougher line because the Treaty of Paris, which covers steel and coal, requires subsidies to be approved unanimously, so giving every country a veto.

But it is not clear why the requirement for unanimity could not have been turned into a strength rather than a weakness. After all, under agreement, aid is illegal under the Treaty.

Of course, such a move would have sharply raised the stakes and would only have been possible with the full support of other commissioners. In particular, Mr Jacques Delors, the Commission president, would have had to become publicly involved.

A tougher line would have produced a fairer deal. Even if governments had refused to make further capacity cuts, it should have been possible to extract other concessions. For example, the Commission could have insisted that member states which subsidised their steel companies compensated unsubsidised competitors for the damage.

It may now be too late for a compensation scheme in the steel industry. But such an arrangement should be part of any future deal which involves the European Union approving state aid. Not only would this ensure redress for those harmed by unfair competition, it would also make governments think twice before handing out subsidies.

## UK training

For roughly a decade there has been a strong consensus around the view that raising the skill level of its workforce is the UK's most important macroeconomic priority. After a week which has brought the first sighting of skill shortages in the West Midlands, as well as a widely publicised attack on the new system of National Vocational Qualifications (NVQs), it may seem that this consensus has not produced much in the way of worthwhile results.

But given the structure of the UK labour market and the lack of the formal framework on which training is based in other countries, reform was always going to be a long haul. And the overall picture is less gloomy than recent news suggests. Britain now has, for the first time in its history, a national system for company-based training, in the shape of the employer-led Training and Enterprise Councils and the employer-derived NVQs. Both have their shortcomings, but they are not set in stone and can be improved with experience.

They are also taking shape in a much more friendly environment than 10 years ago. Training budgets were cut less in this recession than in the last. And the latest Labour Force Survey finds that 2.5m employees of working age received job-related training in the four weeks prior to being interviewed, an increase of 69 per cent over 1984.

Much of this training effort is being concentrated on elite groups, such as computer special-

ists, or takes the form of crash courses to compensate for the fact that initial training in middle range craft and technical skills is so poor. It is with the latter in mind that the government has now come up with a third leg to its training effort - a "modern" apprenticeship scheme, to be launched in autumn 1995. This is a long time to wait, but at least the delay shows that the government is not seeking short-term political advantage.

There is also enough time to work out an appropriate combination of public and private financing, something which in-company training has not had before. Indeed, the apprenticeship scheme might be an opportunity to experiment with German-style collective employer funding, topped up by public funds, in an effort to reduce the temptation for companies to poach skilled workers rather than train them. The fact that young people's wages are continuing to fall ought to help.

The NVQ system means refining it should be more stringently tested and less job specific. For all its faults, though, the current training framework does try to integrate training with real business needs, something which the grandiose plans of the 1980s and 70s often failed to achieve. Handing training over to employers is not on its own a solution. Combined with financial incentives which encourage more employers to provide quality training, it can be. The government is still shuffling in the right direction.

## Charity lottery

Would Britain's national lottery raise more money for good causes if it gave its profits to charities rather than to shareholders? Mr Richard Branson, the airline entrepreneur, and Lord Young, the former Tory minister who now runs telecommunications group Cable & Wireless, say it would. Their Lottery Foundation plans to bid for the lottery on a charitable basis when the licence is put out to competitive tender this week. All their rivals are profit-driven.

Charity gives Branson and Young a public relations edge. But while it is welcome that the two men are giving their time for nothing, that should not be a decisive factor. Profit is not a dirty word, but an important means of motivating people. Not only have both Branson and Young preached the gospel of enterprise in the past, their lottery will also provide suppliers with the opportunity to make profits, precisely because they feel that the operation must be commercially-orientated.

Moreover, it is not as though all the money from a profit-driven lottery would go to shareholders. They will get only what is left over after payments to the government's fund for good causes, prize money, lottery duty and administration costs. Because the licence will go to the bidder with the best prospect of maximising funds for good causes, there should be little opportunity to earn monopoly profits. Indeed, it is even possible that the winner will end up losing

money if it overbids.

The central question is therefore not whether handing the lottery's profits to charity is intrinsically ethical but whether doing so would help maximise the proceeds for good causes. According to the Lottery Foundation, there are two reasons why it would. First, more people would play because they would feel good about the profits going to charity. Second, there would be lower financing costs because shareholders would not need to receive dividends.

Neither of these arguments looks all that compelling. Most of the evidence suggests that people play lotteries because they hope to get rich, not because they feel charitable. Moreover, although the Lottery Foundation would not pay dividends, it would still need to raise debt to finance its operations.

Lack of equity might even be a drawback not to an advantage. Without the comfort of an equity cushion, lenders might insist on higher interest rates. And if it was saddled with a high gearing ratio, the lottery would probably have to run itself conservatively. As a result, it could be prevented from pursuing strategies that maximised the return to good causes.

This is not to say that the Branson/Young bid should be rejected on a *priori* grounds. It may hold out the best prospect for maximising funds for good causes if, for example, its rivals are too greedy. If so, it will deserve to win. Otherwise, not.

Just three months ago, Mr Helmut Werner, the elegant Mercedes-Benz chief executive, gave the Financial Times an exclusive. Chattering enthusiastically about his planned vision A car, the company's first venture into the small car market, he said Mercedes was looking for a European site to be devoted exclusively to making 200,000 annually. Four countries were under consideration: Germany, the UK, the Czech Republic and one other. A week later it emerged that France was also on the list. According to Mr Werner, a decision would be made by the end of the year.

The rush was on. In Britain, for example, the Northern Development Company, NDC, responsible for economic regeneration in north-east England, reacted within 24 hours to a request from the Department of Trade and Industry for details of potential 250-300 acre sites.

Bidders now admit it was curious that Mr Werner should publicise sensitive plans at such an early stage. It was even more curious that he should be scouting around for a greenfield site when he had a perfectly good, state-of-the-art factory standing almost idle in Germany. Was it conceivable that the ultra-respectable Mercedes was playing an elaborate game? Was it cynically using its international prestige and credibility in an attempt to bluff or brow-beat its German workforce into accepting tough new working conditions in return for the job of building the new car?

The story and the issues it raised were ignored by the German media. They were preoccupied with the Daimler-Benz subsidiary's demands that its 85,000 workforce must accept cuts in perks, bonuses and other benefits which would save Mercedes DM200m (£79m) a year. Days later, Mr Edzard Reuter, group chairman, was piling on the agony at a press conference. Productivity at Mercedes had to increase 40 per cent by the end of 1997; the group workforce was to be cut by 44,000 in 1993 and 1994, and 27,000 of those jobs would be lost from the automotive arm, he said.

But the Mercedes workforce representatives, aware that the A-Class project and 3,000 jobs were at stake, were not going to give up DM200m easily. The pressure on the workforce increased: Daimler's Deutsche Aerospace subsidiary promptly announced the closure of six German factories and sites. Management in the AEG division made sure the world knew of an impending self-off, including the off-loading of its domestic appliances to Electrolux.

The Mercedes workforce was left in no doubt that group management was serious about restructuring and changes in attitude, was now taking action.

Last Wednesday, when Mr Reuter revised the group-wide job loss total up to 51,000, a somewhat flustered Mr Werner told journalists that the A-Class was to be built at an existing, one-year-old Mercedes works in Rastatt, close to the eastern French border, and that a package of DM200m cost-savings had been agreed with the unions in an early-buys dash the previous

The Robert Bosch group started it. A year ago, when most of German industry barely suspected how deep a recessionary hole it was in, the publicity-shy electronics concern was already digging its way out.

It had decided to build a new semiconductor facility. Its preferred site was Reutlingen, home since 1971 to most of its sophisticated electronics capacity. The snag was that for technical reasons, the plant had to be run round-the-clock, seven days a week, and the trade unions would have none of it.

Negotiations started and planning went ahead - for two sites, one in Germany and one in Scotland. By February this year the package was complete. The German unions had overcome their ingrained opposition to weekend working. With little fanfare, the DM200m investment was approved for Reutlingen, 300 jobs were secured, and the Scots were out in the cold.

A month later, the company told

FT writers examine Mercedes-Benz's decision to locate its new plant in Germany rather than elsewhere in Europe

## East, west - home's best



night to meet the management's deadline.

A similar message was sent out simultaneously to the foreign tenders for the A-Class factory. "We still thought Arras was a serious contender right up until Wednesday morning," says a local authority official in the northern French town. Mr Patrice Joosse, director of economic expansion at the local chamber of commerce, says he was disappointed. "But we always knew Germany would be a stiff competitor. That's the nature of the game in projects like this," he adds.

The British contenders, aware that the Rastatt plant was already built and underused because of a collapse in demand for cars, say they had additional cause to doubt the earnestness of Mercedes' approaches. It was unusual for a site-search of such importance to be announced publicly, and the three-month timescale was curiously short. But they swallowed their scepticism.

According to Mr Robert Haymon-Collins, head of marketing at the West Midlands Development Agency, the short notice made it difficult for his office to put packages together. "It was all off-the-shelf stuff," he admits. But given that Mercedes would need easy access to an east-coast port - the A-Class is intended as a strictly European city car - his area dropped out of the serious running fairly early in the process. Chatter, gossip and exchanges of notes between local authorities and London ministers indicated that this was the way Mercedes was thinking. Even so, Mr Haymon-Collins says: "We treated the project with due credibility, although one could have predicted the outcome."

The NDC, which has wide experience in the inward investment maze and 375 foreign successes, including the £900m Nissan car plant in Sunderland, says it was well aware that Mercedes might be using the foreign search as a lever in its nego-

tiations with domestic unions. "But we all take the view that until a deal is done there is everything to play for," says Mr Les Henson, chief executive of the County Durham Development Company, which worked together with NDC on the project.

"When an agreement depends on negotiations with a third party which may not succeed, then 'plan B' [a move outside Germany] would come into play. We treated it very seriously on that basis," he added.

Mercedes, too, handled the search with convincing thoroughness, underlined by personal site visits from Mr Werner himself and Mr Peter Martens, director of the A-Class project. Mr Chris Fraser, operations director of the NDC, remains convinced by the seniority of the people involved and their methodical approach that the Mercedes team was seriously evaluating real options.

It was shown two sites, both in Newton Aycliffe, during a one-day

visit on November 2. The agencies' efforts were reinforced by the involvement of Mr Ian Gibson, head of the local Nissan operation, and Mr Llew Amiss, personnel chief of the nearby Fujitsu microchip plant.

The Yorkshire and Humberside Development Association, YHDA, offering sites at Doncaster and Hull - both ports already used by Mercedes for shipping parts and vehicles - was chary at first. "But then it got very serious indeed," said Mr Mark Saville, the association corporate affairs manager. "If it was all bluff, we are convinced the people looking here did not know anything about it."

A German team, led by Mr Martens, garnered more information than even companies that had actually moved into the region in the past. Two YHDA staff were seconded to the project full-time. Mr Martens appointed local agents and consultants to assess the sites. The association produced an exclusive promotional video for screening in Germany.

The touring party also apparently paid serious attention to the Czech Republic, where four towns volunteered themselves. The Stuttgart team descended on a 100-hectare former army base close to the Slovakia engineering works in Pilsen. Mr Vladimir Dlouhy, trade and industry minister, was not very optimistic when he emerged from follow-up talks on November 22. After all, earlier talks with the group on establishing a \$250m trucks joint venture, had collapsed only in March.

After the Rastatt announcement, the disappointment appeared great at the YHDA, which at one stage put other jobs to one side and set all its 30 staff to work on the project. There was more stoicism further north. The NDC's Mr Fraser found the experience valuable. "Being on the shortlist will stand us in good stead in future," he said. His County Durham colleague, Mr Henson, agreed: "An experience like that makes you better prepared for the next large project that comes up. We're just waiting for the next one now."

As Mr Henson suggests, optimism is a far more valuable quality than scepticism in real-life business dealings. Events of the past few days tend to prove the thesis. As the FT has since learnt, the Arras town hall spokesman was right that his area was in the running until the last minute. The northern French town had been top of the Mercedes reserve list. The company had made all the necessary arrangements for a press conference in Paris last week to announce that the plant was to go to Arras.

But the media invitations were not faxed. At the last minute, German union officials swallowed their scepticism about the seriousness of Mercedes' threats. They surrendered the DM200m savings demanded by management, and secured 3,000 German jobs.

Reports by Christopher Parkes, Ian Hamilton Fuzey, Paul Cheeswright, Patrick Blum, Chris Tighe, Alice Roushorne, Kevin Dore

## Stick to shake at workplace

Christopher Parkes on German cost-saving labour deals

Its German workforce that despite a cost-cutting programme, some of its products were still 30 per cent more expensive than those of foreign competitors. As a result, the previously-agreed 3 per cent pay rise, due on April 1, would apply only to basic pay. All the "traditional" perks and bonuses would be excluded from the calculation, saving the group DM280m a year. White collar workers received letters telling them their salaries would be reduced by 3 per cent.

Bosch, with more than 150,000 workers worldwide, had successfully set about undermining two of Germany's notorious structural defects - a seemingly unbreakable upward pay spiral and inflexible working practices - which hitherto appeared to have condemned all the country's manufacturing to a

future of fading international competitiveness.

Since then, there have been several variations on the Bosch stick-and-carrot theme, with, unusually for Germany, rather more emphasis on the stick than the vegetable.

By threatening to build a new factory outside Germany for its projected A-Class mini car, Mercedes last week wrung concessions on operating economies from unions worth a claimed DM200m.

General Motors had previously struck a similar deal for a 475-job diesel engine line to be installed in Kaiserslautern in preference to any of the nine other options under consideration outside Germany. Volkswagen, by threatening 30,000 job losses, recently won agreement to reduce working times which will mean real reductions in net income

of up to 12 per cent for 100,000 employees.

So far these signs of a new order have been confined mainly to the automotive industry (Bosch is a leading vehicle components maker) which has been worst hit by recession. But the results, achieved with little or no serious industrial unrest, suggest that if the process can be kept up and extended into the deeper reaches of the industrial base, German manufacturing may soon be back on the road to international competitiveness.

Whether or not, as some union leaders and politicians claim, employers are gaining the upper hand through the use of coercion or blackmail, the acceptance of change is spreading rapidly through the industrial workforce, and the beginnings of a snowball

effect are already apparent.

GM's engine plant deal, for example, set the tone for a parsimonious four-year agreement, signed last month, covering all 50,000 employees of Adam Opel, the US group's vehicle-making subsidiary in Germany. This includes workers accepting only two-thirds of any nationally-agreed pay increases for the duration of the deal. All of Mercedes' German employees agreed to less generous pay and conditions arrangements to safeguard 3,000 jobs at the Rastatt plant.

The most obvious assumption prompted by the events at Bosch, GM and Mercedes, in particular, is that the companies believe they will now be able to make semiconductor, diesel engines, volume cars and high-class minis and sell them at competitive prices anywhere in the world market. It may not yet be wholly true, but the signs are that progress is being made, and that the premium-earning "Made in Germany" label has more of a future than many would have believed 12 months ago.

## OBSERVER

## Claymores at the ready

Who will become head of the Auditing Practices Board, now that Bill Morrison, the incumbent, is retiring from KPMG Peat Marwick and heading back to his native Scotland with a sporran-full of part-time appointments?

Some board insiders favour another Scot, Ian Percy, head of the Scottish Accounts Commission and ex-president of the Institute of Chartered Accountants of Scotland.

That would sustain the kilted caucus which dominates the musty world of accounting and auditing in the UK, since another tartan number-cruncher, David Tweedie, is chairman of the Accounting Standards Board.

But word is that the top dogs at the Institute of Chartered Accountants in England and Wales have a different idea this time round. The non-Scottish contingent seem to prefer the distinctly English Ian Flaistowe of Arthur Andersen.

## Keswick taxed

Now that Kenneth Clarke's first Budget has bedded down, some

entertaining snippets are beginning to emerge concerning his long-standing special adviser, the independently wealthy aristocrat, Tessa Keswick.

Quick learner she may be - Keswick won plaudits for November's budget - but clearly she had to be.

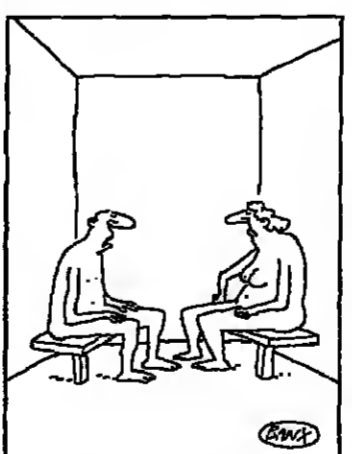
Soon after Clarke took over as Chancellor, at a meeting with some of his key advisers, Keswick put a question to a neighbour: "Let me get this absolutely clear. Direct taxation refers to this year, and indirect to next year, am I right?" But no less obliging Treasury colleagues still loyally speak of Keswick's "unrivaled political feel".

## Rotting boroughs

Those of you who imagine the European parliament to be a dull old place, stuffed with humourless Eurocrats - think again.

At least one Euro MP - Caroline Jackson, a Tory from Wiltshire - is showing distinct signs of wit. She has just written to Egon Klepach, president of the parliament, to see how many of her fellow 515 deputies are still alive.

She says: "For a year I have been sitting next to an empty chair assigned to an MEP from Naples."



He has not turned up for any debate or any vote for a year. Is he possibly dead? In which case I am very sorry, but maybe he should not be being paid his salary, not to mention half his office allowances."

Jackson adds that "some MEPs have not been seen for years. How many other dead souls might there be?"

Of course there is always another side to an argument. Perhaps Jackson's Neapolitan neighbour has got the full measure of the place and is engaged in a lengthy,

though silent, boycott?

## Post haste

The disappointed folks who failed to get their expected invitations to the Clinton-Gore inauguration last January may still strike lucky, albeit a year late.

For they may be among the unfortunates whose mail has just turned up in a warehouse in Blytheville, Arkansas. A container holding 40,000 pieces of mail and Christmas 1992 gifts has just been unearthed at the back of the warehouse.

Many of the invitations were to be sent to addresses in Arkansas and Tennessee, the home states of President Clinton and Vice President Gore. The mail will now be delivered "as soon as possible", with luck in time to stop them voting Republican next time round.

## John who?

The considerable cash spent every Christmas by British households on trivia knowledge games is evidently wasted.

In a recent Gallup poll of more than 1,000 adults, just 11 per cent recall Pete Sampras as winner of this year's "men's" singles champion at Wimbledon; 25 per cent come

up with the right name - Steffi Graf - for the women's singles.

Only one in three remember the names of the two world boxing champions - Chris Eubank and Nigel Benn - whose October fight ended in a draw.

Literary and artistic general knowledge is also aghast; only 14 per cent knew that William Golding wrote *Lord of the Flies*, while just 35 per cent correctly pinpointed Tchaikovsky as the composer of the 1812 Overture. A paltry 23 per cent accurately said that ERM stands for Exchange Rate Mechanism.

Clearly standards of education are not what they should be. Complaints should be addressed to John Patten, education minister. But then, according to the same survey, only 25 per cent of us know who he is.

## Beyond Arafat

The Christmas spirit has seeped into the oddest places, including august publishing houses.

An colleague of Observer's was last week told by his publishers to expect copies of the new edition of his jointly penned biography of Yasser Arafat. The package duly arrived, containing six copies of a tome entitled "Beyond Arafat: Travels in Eastern Turkey".



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# FINANCIAL TIMES COMPANIES & MARKETS

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Monday December 20 1993

**Tilbury Douglas**

A major force in construction

## Saatchi to shake up US networks

By Diane Summers, Marketing Correspondent

Saatchi and Saatchi, one of the world's largest advertising groups, is preparing to shake up its three agency networks in the US, its biggest market, by splitting off media buying into a separate operation.

The plan, being discussed with Saatchi's main US clients, is being pushed forward by Mr Charles Scott, the recently appointed chief executive. His strategy is to turn round the heavily indebted group by winning new business, cutting costs and increasing operating margins.

The firm approach of Mr Scott, an accountant by background, has led to some disquiet within the group and to rumours that the founding Saatchi brothers, Charles and Maurice, have been looking at ways to fund a buyout of one of the networks, Saatchi and Saatchi Advertising Worldwide. The group has said the rumours are "pure speculation" and the network is not for sale.

Mr Scott's plans for a separate media-buying operation in the US would follow similar developments in Europe. Zenith Media, Saatchi's media planning and buying arm, is set for rapid expansion next year, financed by a proportion of the proceeds of a \$75m rights issue in May.

The aim is to differentiate the Saatchi networks from their competitors in the US by offering to clients Zenith's expertise in the purchase of television, radio and press advertising space. At the same time, clients would be able to benefit from the discounts a centralised media-buying operation could negotiate.

Removing the media-buying function from the Saatchi advertising agencies would also allow Mr Scott to cut down on duplication of work and to reduce staff further.

A \$10m extra provision for redundancies - which followed the loss of two large US accounts worth a total of \$30m for 1994 - plus pessimism about client spending during the coming year, led to a profit warning two weeks ago. Analysts cut pre-tax profits forecasts for this year by about \$6m to \$24m-\$25m.

## Deutsche wins Hungarian telecoms prize

By Nicholas Denton, in Budapest

A consortium led by Deutsche Telekom, the German state-owned telecommunications company, has pulled off eastern Europe's biggest single privatisation deal after agreeing to pay \$870m for a 30 per cent stake in Matav, the Hungarian state telecoms concern.

MagyarCom, the partnership in which Telekom owns 50 per cent plus one share and Ameritech, the US regional Bell operator, the remainder, also agreed to support plans for \$1.3bn in capital expenditure at Matav by the year 2002.

The Telekom group defeated a higher headline bid of \$910m, offered by Stet International, part of the Italian state company and its partner Bell Atlantic, the US regional operator. A third consortium of France Telecom and US West, another regional operator, offered \$830m.

The Hungarian authorities said price was not the only factor. The evaluators had given credit to Telekom's experience in modernising eastern Germany's telephones.

Sources close to Stet, however, claimed its bid was technically as well as financially superior.

The MagyarCom consortium, although the minority shareholder, will hold half the seats and a tie-breaking vote on the operating committee of Matav.

Hungary's state holding company AV RT, which retains a majority shareholding, reserves the right to nominate the chief executive but MagyarCom names the chief financial and technical officers.

The Telekom group has also promised, as did competing bidders, to turn Hungary into a regional telecommunications hub funneling traffic from Romania, Ukraine and other east European countries.

The consortium has given commitments to increase the number of lines by more than 15 per cent a year so that Hungary can reach line density of 35 per 100 inhabitants by 1999.

Matav is the first east European telecoms company to be offered to investors. The price reflects international telecoms companies' growing interest in emerging markets.

A tax holiday of 100 per cent for five years and 60 per cent for the following five years also contributed about \$200m to Matav's value.

## LWT presses on with defence plan

By Raymond Snoddy

London Weekend Television is pushing ahead with a plan to create a quartet of ITV licences under combined ownership, as part of its defence against Granada Group's hostile bid.

Only a passing mention is made of the plan in the defence documents sent to shareholders yesterday. These concentrate on LWT's record and prospects, adding merely that it is in discussions with Yorkshire Television. There is an underlining that any proposals would be put to shareholders.

Talks that might see LWT making an agreed bid for Yorkshire, and Anglia Television taking over Tyne Tees, appear to be making progress. Apart from the possibility of creating

the largest ITV company, if the rules were changed to allow it, more immediate agreements are being pursued. These envisage LWT, Yorkshire, Tyne Tees and Anglia co-operating on everything from cost reduction to programme production.

LWT, as a 14 per cent shareholder in Yorkshire-Tyne Tees has access to board papers and reckons the loss-making company's problems are being dealt with.

Sir Christopher Bland, LWT chairman, said yesterday: "The LWT management have done well for shareholders and themselves. They don't want to be sold now." LWT management holds around 10 per cent of the company.

LWT defence, page 16

## David Waller reports on Heinz Schimmelbusch's rapid fall from grace as Metallgesellschaft's crisis becomes clear

Mr Heinz Schimmelbusch, the charismatic Austrian ousted as chief executive of Metallgesellschaft on Friday, was once the darling of German management circles.

It was only in 1991, at what in Germany is the tender age of 47, that Mr Schimmelbusch was elected German manager of the year. Two years later, his career at the Frankfurt-based metals, mining and industrial group has been abruptly and ignominiously brought to an end - for alleged mismanagement.

Together with his finance director, Mr Schimmelbusch was fired at a specially convened meeting of the group's supervisory board. He was accused of not keeping the board properly informed of problems at MG Corp, the group's US trading subsidiary which last week forced Metallgesellschaft to turn to its bankers to fund off a liquidity crisis.

Four further directors were nudged out - two into retirement, two demoted - and a new management team was appointed, headed by Mr Kajo Neukirchner, former chief executive of the Hoesch steel group and a restructuring expert.

The scale of the management changes is believed to be unprecedented for so large a German company. They point to the seriousness of MG Corp's problems with its dealings in oil futures on the New York Mercantile Exchange, problems which have yet to be quantified as investigations continue.

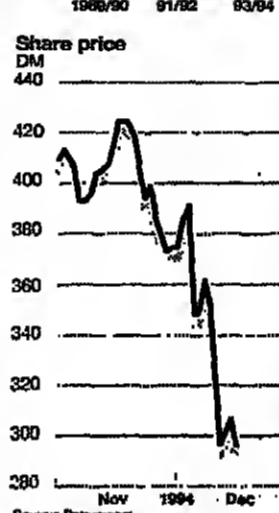
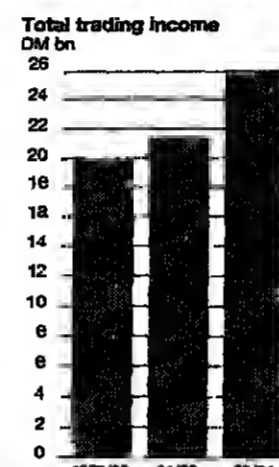
Equally unprecedented is the turnaround in Mr Schimmelbusch's fortunes. One of the youngest chief executives of a large German company when he was appointed in 1988, he quickly won a reputation as a visionary strategist - able to woo both the Anglo-American investment community and the executives of Deutsche Bank, Dresdner Bank and the Allianz insurance group which together own 26 per cent of Metallgesellschaft's shares and dominate its supervisory board.

Mr Schimmelbusch, a man capable of being abrasive and charming in equal measure, joined the Frankfurt-based group more than 20 years ago after an early career as an economics lecturer and a year with investment banks in New York.

Wall Street enriched his fluent English with a store of expletives which sometimes shocked the lunch guests he used to take to his favourite

## From award winner to can carrier

### Metallgesellschaft



Italian restaurant on the outskirts of Frankfurt. While armed bodyguards waited outside, he would deliver his monologues on the future of Metallgesellschaft, and guests left impressed at the eloquence of a gifted salesman.

With annual turnover of about DM25bn (\$14.7bn) generated from about 250 subsidiaries, Metallgesellschaft owes its current structure to Mr Schimmelbusch. His strategy was simple: to reduce the group's dependence on base metals by making acquisitions in other business areas.

Between 1989 and 1992 he spent about DM2.5bn, culminating in one of the biggest transactions in post-war Germany - the DM1.45bn purchase of the non-paper divisions of Feldmühle from the Swedish Stora group.

While the Feldmühle acquisition, which included the Buderus and Dynamit Nobel industrial companies, has yielded healthy profits, the focus of his smaller purchases now seems misguided. His aim was to build Metallgesellschaft into the largest provider of environmental services in Europe. The group has nearly 90 subsid-

aries in areas such as recycling, pollution control and decontamination.

Mr Schimmelbusch hoped that other European countries would catch up with Germany's high standards of environmental legislation. But although turnover from environmental services was DM2.5bn in the year to September, demand has simply not developed as planned and profits were a derisory DM31m.

As a strategy aimed at insulating Metallgesellschaft from its dependency on metals and mining, it failed. The group has been hit hard by the downturn in metals prices, partly caused by an influx of cheap imports from the former Soviet Union, and by the severity of the German recession which drove subsidiaries such as Kolbenschmidt, in autocomponents, into deep losses.

Generous analysts were prepared to give Mr Schimmelbusch the benefit of the doubt - after all, he could not have foreseen the lifting of the iron curtain when he initiated his strategy in the late 1980s. Who better than the 1991 German manager of the year to see through the rationalisation needed in 1992 and 1993?

However Mr Schimmelbusch squandered the goodwill he had won from the international investment community and from the German financial and industrial establishment, which had put him on the pedestal from which he was toppled on Friday.

He lost it partly through creative accounting. Few analysts believe that the DM245m profit the group reported in 1991-92 provided a fair representation of underlying performance. This impression was compounded because the group was unwilling to present earnings according to the DVFA formula used by most big German companies to iron out the effects of one-off extraordinary and exceptional income.

In the end he came unstuck because of the problems at MG Corp, which has built up its business in marketing and distributing products such as gasoline and heating oil. When the problems first became public two weeks ago, Mr Schimmelbusch and the group's bankers insisted there was nothing sinister. MG Corp had been obliged to make cash payouts - so-called margin calls - on futures contracts as the price of oil moved down. A mere technicality, said Mr Hilmar Kopper, Deutsche Bank's

## The Markets this week

Starting on page 18

### PETER MARTIN: GLOBAL INVESTOR



The style of investing that revolves around country decisions is increasingly outdated, says one US fund manager. What does this tell us about the boom in emerging stock markets? Does the Gatt treaty affect the argument? Page 18

### EDWARD BALLS: ECONOMIC EYE



Japan, not Britain, is threatened by the demographic time-bomb. The UK has a relatively old population, which will age more slowly than other developed countries. But Japan finds itself with a relatively young population which is aging fast. Page 18

### Bonds:

Looking to 1994, Wall Street concerns centres on prospects for a shift in the Federal Reserve's monetary policy. Page 20

### Equities:

Looking to 1994, Wall Street concerns centres on prospects for a shift in the Federal Reserve's monetary policy. Page 21

### Emerging markets:

The Bombay Stock Exchange's leading index soared by nearly 30 per cent in six weeks, stockbrokers went on strike instead of celebrating. Page 19

### Currencies:

With most currencies in Europe's ERM creeping back into former fluctuation bands, the possibility of a return to narrower bands is being mulled over. Page 19

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## This week: Company news

### PARAMOUNT

## Sudden death on a newly levelled playing field

The \$10bn takeover battle for Paramount Communications will reach a climax this afternoon, which is the deadline set by the Paramount board for final offers for the film and publishing group.

On the table at present are a cash and stock hostile bid from QVC Network, the television home shopping group, which is worth around \$9.5bn, and a friendly cash and stock bid from cable company Viacom, worth around \$8.5bn.

Both are expected to submit new bids.

The "sudden death" sealed-bid auction follows a rebuke to the Paramount board from the supreme court of the state of Delaware for failing to create a level playing field between the two bidders and for not giving serious consideration to the QVC offer.

The outcome of the battle may not be known for some time. The Paramount board must first consider the bids and will recommend that shareholders accept the one which it believes offers them the "greatest value". This could take several days.

The offers will then have to remain open into January to allow time for acceptance. And the Paramount board has reserved the right to extend the date for final bids.

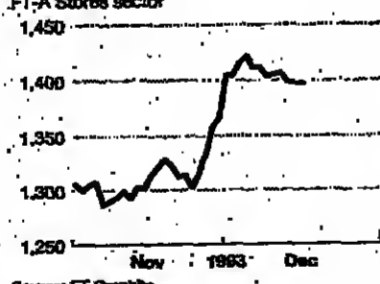
The board will not necessarily recommend the bid with the highest immediate value.

Assuming the bidding companies offer part-payment in the stock of their businesses, the board may want to weigh up the relative growth prospects of Paramount-Viacom and Paramount-QVC.

However, since the board is lifting the "poison pill" defences which have protected the company from hostile bids, shareholders will be free to ignore Paramount's advice and accept whichever offer they think is in their best interests.

### UK stores

FT-A Stores sector



### UK RETAILERS

## Turkeys lead Christmas charge

The UK turkey market will reach fever pitch this week as more than 10m birds head for the Christmas table. Cut-price offers at the large supermarkets mean consumers are set to gobble up a record number of turkeys.

Turkey sales are the most obvious component in the most crucial four days of shopping in the year. Analysts expect a modest recovery in retail sales this December after two stagnant years, although the November budget constrained consumer spending earlier on. Uncertainty over the outlook for Christmas has been dogging the stores sector for the past couple of weeks.

The period is especially important for jewellers such as Signet, the former Ratners chain, as well as for groups such as Boots (toiletries), Marks and Spencer (clothes) and WH Smith (records and books).

It will, of course, be a vital week for turkey producers, such as Bernard Matthews, which holds a 30 per cent share of the market for oven-ready birds.

The sale of other turkey products has helped extend the market. Mr George Hayes, marketing director at Bernard Matthews, said UK demand for pre-packed cooked meat and other turkey products was expected to be about 30 per cent up this year. This includes the niche for its new dinosaur-shaped turkey product which is coated in bread crumbs.

### OTHER COMPANIES

## Ferruzzi kicks off record restructuring

Italy's biggest industrial restructuring operation Kicks off on Tuesday with multiple rights issues for Ferruzzi Finanziaria (Ferrfin) and Montedison, its main operating subsidiary.

Ferrfin is launching a multi-phase capital increase to raise up to L3,932bn (\$1.74bn) via a series of rights and warrant issues. Separately, Montedison will raise up to L5,172bn through a complex string of deals involving new shares, warrants on further new stock and warrants to buy equity in its Edison energy subsidiary.

■ De Beers: The diamond group's central selling organisation announces its 1993 sales results today. At the half-year, De Beers, which controls at least 80 per cent of the world market for rough (uncut) diamonds, reported record sales of US\$2.543bn, a 42 per cent rise from the same months in 1992, but warned "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole".

■ CSA: The troubled Czech national airline, will hold an extraordinary meeting today in an attempt to resolve a dispute with minority shareholders Air France and the European Bank for Reconstruction and Development. They claim they overpaid for their combined 40 per cent stake in the airline. The airline will make record losses this year and management changes are expected.

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This announcement appears as a matter of record only.



## STATE COMMITTEE OF UKRAINE FOR CRUDE OIL AND GAS

has awarded a contract to

**SINGLE BUOY MOORINGS INC.**  
and  
**JP KENNY CORPORATION AG**

in an International Tender for the  
construction of an Offshore Oil Receiving Complex  
in the region of Odessa

Advisor to the Committee:

**GIROCREDIT**  
MERGERS & ACQUISITIONS INC.

OCTOBER 1993

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## COMPANIES AND FINANCE

## LWT condemns Granada bid

By Raymond Snoddy

London Weekend Television yesterday condemned as "inadequate and opportunistic" the hostile offer from Granada worth more than £600m, and urged shareholders to reject it.

Sir Christopher Bland, the LWT chairman, said in a letter to shareholders that the offer from Granada, the rental, leisure and television group, requires them to exchange their holdings in "a highly regarded television company for shares in a conglomerate earning half its profits in a low growth sector".

The LWT chairman also said

the cash alternative of 539p a share was too low, and acceptance of the share offer would result in a fall in dividend income for LWT shareholders.

In what is clearly the first salvo in a long campaign, LWT concentrated on its own track record and future prospects.

It emphasised that since December 1989 only four companies of the 811 in the FT-Actuaries All-Share Index had increased the value of their shares more than LWT. "By contrast Granada was the 247th best performer in the index in this period".

The document points out that £100 invested in both com-

panies' shares on December 15 1989 would have returned, including dividend, £755 from LWT and £176 from Granada.

LWT was now the third largest ITV company in terms of share of net advertising revenue, whereas Granada fell from third to fifth place between 1982 and 1989.

"Granada may need LWT to make sense of its television business but LWT doesn't need Granada," said Sir Christopher.

The LWT chairman also promised shareholders a profit estimate and recommended dividend for 1993 in the new year. Analysts are suggesting pre-tax profits of around £36m

compared with £30.6m last year.

Mr Gerry Robinson, chief executive of Granada, said yesterday the LWT board seemed to be confused: it admitted that scale was necessary in television, yet rejected the only logical combination in terms of advertising revenue, audience size, financial strength and licence payments.

"In the meantime Granada is offering a generous multiple of 32 times historic earnings or 27 times market estimates for the current year which reflects the high opinion that Granada has of LWT's business," Mr Robinson said.

## Manders sells paint side for £55m

By Peter Pearce

In a sharp, sudden and, in the words of Mr Roy Amos, chairman, "emotional" change of strategic direction, Manders has sold its decorative paints division to Johnstone's Paints, a subsidiary of Total Oil Holdings of France, for £55m cash.

Last Thursday the Wolverhampton-based group announced that it had bought the printing inks and graphic supplies business of Croda International for £26.7m cash. Friday's sale will all but wipe out Manders' borrowings.

Mr Roger Akers, Manders' chief executive, said in a statement that the recent rationalisation of the UK decorative paint industry (with the acquisition by Akzo, the Dutch group, of Crown) had limited the potential for growth in that part of the group's business.

There had also been consolidation within the printing inks industry, making it important for Manders to identify which market it should develop. The group would now "concentrate on speciality chemicals with an emphasis on printing inks".

With Akzo and ICI the two main forces in the UK decorative paints industry, Manders only had 7 per cent of the market. Akzo, which in June 1993 launched an unsuccessful £106m all-paper bid for Manders, has about 13 per cent. After yesterday's sale, Total will have about 15 per cent.

Mr Amos said that Johnstone's had undertaken to continue to manufacture paints at the Wolverhampton and Bingley factories for five years, though he conceded that there would be some rationalisation on the depot side.

Manders' decorative paints division, Mr Amos said, was set this year to make "a little more" than last time's £3.6m (£2.3m) operating profit, which gives a "good" p/e of 30. Turnover last time was £53.5m (£37.4m) and the asset value is £20.5m.

## Vestey's new management prepares finance changes

By Scheherazade Daneshkhu

The Vestey Group, one of the largest privately-owned companies in the UK, has appointed SG Warburg as adviser to help refinance the company.

Warburg is believed initially to be focusing on normalising financial arrangements between Union International, the indebted trading arm of the Vestey group, and Union's bankers.

It is understood that Union is about the come out of the standstill arranged with its bankers last year and that

medium-term banking facilities will be established, allowing it to operate under normal trading conditions.

Past Marwick, the accountant, is believed to be advising on ways of restructuring the group's debt while NM Rothschild, the merchant bank, has been called in by Mr Terry Robinson, chief executive of Union, to advise on floating part of its east Asian businesses on the stock markets in Australia and New Zealand.

The changes are part of a strategy being put in place by a new management comprising

Sir John Collins, former chairman and chief executive of Shell, who was appointed chief executive of Vestey in September with effect from next month, and Mr Robert Cooper, former director and head of corporate finance at Robert Fleming, who has been appointed finance director.

Union has been reducing its net debt, now believed to be a little more than £100m. Earlier in the year, it reported it was operating profitably and that its net debt was down to £20m in the year to December 31 1992 from £37m 12 months earlier.

## Cementone takeover details

By Tim Burt

Cementone, the specialist paint and building chemicals manufacturer, has announced details of its £29m reverse takeover of Multitrust, the property investment company.

As part of the transaction, the Rockingham-based group is offering 12.3m consideration shares at 73p. Mr Andrew Perloff, chairman of Multitrust, will retain 7.45m shares with the remainder placed with institutions.

The deal will give Mr Perloff a 33.9 per cent stake in the enlarged company.

Mr Alfred Baxendale, chief executive of Cementone, said the company was also planning to raise £4.6m through a placing of 6.29m new shares at 73p.

Meanwhile, a separate rights issue for 3.5m shares is proposed to raise a further £2.8m. Income from the rights and placing will be used to reduce gearing and fund acquisitions in the paint and building chemicals industry.

The enlarged group also plans to generate £3.2m from the disposal of Multitrust's property portfolio. Once completed, the transaction is expected to value the company at £16m.

Pro-forma earnings per share were forecast yesterday at 4.5p, with a notional dividend of 2.5p.

## Rebels fail to oust Fife directors

By David Blackwell

Rebel shareholders in Fife Indmar, the Scottish engineering and distribution company, have failed to topple the chairman.

At an extraordinary meeting in Edinburgh, shareholders defeated an attempt to oust Mr Gavin Hepburn, chairman, and Mr Michael Munro, director, and replace them with Mr Guido Crolla and Mr David Chassels.

The rebel shareholders had made allegations of costly acquisitions and poor financial management.

Mr Hepburn said he looked forward to getting on with running the business and continuing to serve the interests of shareholders.

Mr Crolla, who led the rebels and who retains a 2.5 per cent stake in the company, said: "The shareholders have voted and we accept their decision. We were fully justified in the

actions we took and we hope that the outcome will be a better Fife Indmar and a better return for shareholders."

Mr Chassels said over 40 per cent of the shareholders who voted had backed the rebels. He urged the board to address the issue of corporate governance. "It is wrong that there should be only one independent director - the other board members are brothers, the financial adviser and the company secretary."

## NEWS DIGEST

## Simon sells 50% stake in TR Oil

Simon Engineering has sold its 50 per cent stake in TR Oil Services, together with its associates, Arabian TR Oil Services, South East Asia TR Oil Services and Scandinavian Oil Field Chemicals, to its joint venture partner Hoechst for £6.15m cash.

In 1992, TR Oil had sales of £16.9m, pre-tax profits of £1.85m and net assets of £3.2m.

## Scantronic

Scantronic Holdings, the electronic data communications group, is raising £1.15m net of expenses via a placing of 1.73m new ordinary shares at 63p apiece.

The proceeds will be used to

finance the growth of Alarmexpress, the group's wholesale distributor of security products.

## Associated Nursing

Associated Nursing Services has made a recommended offer worth £1.75m for the shares in Broadwater Homes it does not already own.

Broadwater is at present managed by ANS.

The offer of 192p per share for the outstanding 73.35 per cent values Broadwater at £2.39m.

## Oriflame

Mr Jonas of Jochnick, the vice-chairman of Oriflame International, has sold 1.7m shares in the cosmetics and toiletries direct sales company at 323p per share. This reduced his stake to 10.2m shares, or 19.09 per cent of the equity.

Of the shares, 500,000 have been bought by Abacus (CI)

who act as trustees to the Progress Settlement Trust, in which some members of the Jochnick family have a possible beneficial financial interest. The remaining 1.2m shares were placed with institutional clients of Panmure Gordon.

## Shares suspended

Share dealings in Sime Darby were suspended on Friday at 154p at the company's request following suspension on the Kuala Lumpur stock exchange.

Dealings in the shares of Consolidated Plant were also suspended at the company's request at 69p.

## SG Warburg

SG Warburg, the investment bank, is buying the Hagglöf & Försbach equity research and broking arm of Gota Bank for an undisclosed sum. Warburg will integrate the business with its equity broking operation in Sweden.

## INTERIM RESULTS

for the six months ended 30 September 1993 (unaudited)

	1993/94	1992/93
Turnover	£37.4	£38.9
Profit on Ordinary Activities before tax	54.9	37.1
Tax on profit	(14.3)	(9.2)
Profit for the period	40.6	27.9
Interim Dividend	7.00p	6.10p
Earnings per share	34.1p	23.5p

## HIGHLIGHTS

- Pre-tax profits increase to £54.9m (1992: £37.1m)
- Earnings per share 34.1p (1992: 23.5p)
- Interim dividend per share 7.00p (1992: 6.10p)
- 1% electricity price reduction from 1 July 1993
- £47.3m expenditure to improve services
- Significant service improvements achieved

Bryan Weston, Chairman, said:

"Close attention to costs together with investment to improve services have reduced prices to customers while maintaining dividend growth for shareholders. Our focus on improving services for customers is paramount and the profit levels achieved have enabled us to support £47.3m capital expenditure in the business during the first half of the financial year. We are now seeing the benefits of this policy. In the 12 months to September 1993, compared with the previous 12 months, complaints fell 58%, payments for failing guaranteed standards fell by 79% and disconnections fell 98% to just 17. We remain committed to providing the highest quality service for our customers at a low cost."

## FINANCIAL RESULTS

In the six months to 30 September 1993 group turnover increased 2.0% from £408.9m to £437.4m, due almost entirely to increased electricity sales.

Changes in our new electricity contracts with the generators, together with the new accounting treatment necessitated by them, have resulted in a more appropriate spread of electricity purchase costs over the year. Had the accounting treatment been used last year, the 1992 interim operating profit would have been £6.0m higher, and taking this into account, the underlying profit increase is 25%. This £6.0m difference, together with lower supply costs, accounted for most of the increase in group profit before tax to £54.9m. We are not expecting to see such a high percentage increase in profit for the year as a whole.

The tax charge was £14.3m (1992: £9.2m) - an effective rate of 26.0%, and earnings per share rose 45.1% to 34.1p (1992: 23.5p).

The Board is declaring an interim dividend of 7.00p (net) per ordinary share, which will be paid on 11 March 1994 to shareholders on the register on 4 February 1994. This is a 14.8% increase on the 1992 interim dividend of 6.10p (net).

The region continues its slow recovery, with a growth in units distributed being evident across all sectors and a total increase in units of 21.4% compared with the 6 months to September 1992.

## OPERATIONAL REVIEW

Distribution business turnover at the half year increased by 2.5% to £117.5m. However, segmental profit fell by £4.1m to £36.5m due mainly to freezing the Use of System tariff, increased depreciation and customer service investments.

Most of the 7.4% increase in supply business sales to £400.8m came from gains in the competitive over-10MW market. The change from a segmental loss of £2.7m in 1992 to a segmental profit of £17.4m this half year was due to the new contracts and lower costs.

The regional electrical retail appliance market continues to be depressed, affecting retail sales which were £13.3m at the half-year stage, down 2.9% compared with the same period last year. One-off costs associated with re-focusing 15 shops as customer service centres pushed the business into segmental loss at the half year of £0.5m (1992: £0.2m profit) which we expect to be improved at the year end.

Electrical contracting sales increased 26.3% to £12.0m and the business improved to a segmental loss of £0.2m (1992: £0.1m).

At the end of September Manweb Gas produced a small profit with contracts in place to supply nearly 1000 sites. Both wind farms were operational and our generation activities also produced a small operating profit at the half year.

## CUSTOMER SERVICES

Group capital expenditure on the distribution network and business infrastructure rose to £47.3m reflecting increased investment levels to improve both the reliability of electricity supply and also other customer services.

A number of customer services were initiated during the first half of the year. The new Select tariff, which abolishes the standing charge for low users of electricity, was taken up by 23% of potential customers. Extended hours and Saturday availability for account queries were introduced. Facilities to pay accounts for North West Cable TV and, on a trial basis, Welsh Water were provided in our shops. Fifteen of our shops were re-launched with extended customer service facilities and hundreds of new outlets were appointed to sell meter cards, many open in evenings and at weekends. In October, Manweb was awarded the Citizen's Charter Mark in recognition of excellence in the delivery of public services.

As well as providing the services our customers want, we are committed to controlling costs. As a consequence, on 1 July 1993 we reduced average electricity prices to tariff customers by 1%, and introduced a discount for card meter customers.

Many of these initiatives will be helped by the more flexible working arrangements agreed with staff as part of the new local company agreement, which came into effect in July.

## PROSPECTS

Our businesses continue to perform in line with internal forecasts. The 1% price reduction came into effect on 1 July 1993 and together with a more appropriate spread of electricity purchase costs will result in a lower percentage increase in profit of the year and than that produced at the half year. Further service initiatives are being introduced while careful control of costs ensures we fulfil our high quality, low cost utility objective.

Manweb

Copies of the interim announcement are available from the Company Secretary at the Company's registered office at Sealord Road, Chesham, Cheshire HP14 4JL (0244 452047).

\*Cable at peak rates will be charged at 48p per minute and 36p per minute at any other time.

## THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.

Notice is hereby given that a balance of the Register will be struck on Thursday, 13th January, 1994 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 31st January, 1994. The dividend will be paid on 1st February, 1994.

For transfers to receive this dividend, their transfer must be lodged with the Company's Registrar, Lloyds Bank Registrars, The Courtyard, Watlington, West Sussex, BN99 6DA, not later than 3.00 p.m. on Thursday, 13th January, 1994.

Shell Centre  
London, SE1 7NA  
20th December, 1993  
By Order of the Board  
John Russell  
Secretary

Yasuda Trust and Banking (Luxembourg) S.A.  
US\$ 50,000,000  
Floating Rate  
Guaranteed Notes Due 2000  
with Fixed Rate Option  
Guaranteed by  
The Yasuda Trust and Banking Company, Limited

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 20th December 1993 to 20th June 1994 has been fixed at 3.875% p.a. The coupon amount payable on 20th June 1994 will be US\$ 1,937,500.00.

The Yasuda Trust and Banking Company, Ltd.  
London Agent Bank

ROYAL BANK OF CANADA

Dividend No. 426  
NOTICE IS HEREBY GIVEN THAT a dividend of 20 cents per share upon the paid up common shares of this Bank has been declared payable for the current quarter at the Bank and its branches on and after February 24, 1994 to shareholders of record at close of business on January 25, 1994.

By order of the Board  
Jane E. Lawson  
Senior Vice-President & Secretary

This Notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities of Rossmont plc ("Rossmont"). Application has been made to the London Stock Exchange for the ordinary shares of Rossmont to be listed and to be included in the Official List. It is expected that listing will become effective and that dealings will commence at 8.30 a.m. on 23rd December 1993.

## ROSSMONT plc

(Incorporated and registered in England and Wales under the Companies Acts 1985-1989 with registered number 2798231)

Placing by

Keith, Bayley, Rogers & Co.

of

16,450,000 ordinary shares of 2.5p each at 10p per share

Share capital following the placing

Authorised	Number	Issued and to be issued, fully paid
£	Number	£
575,000	23,000,000	463,750
	ordinary shares of 2.5p each	18,550,000

Rossmont, through its wholly owned subsidiary Santric Limited, is a specialist supplier and manufacturer of a wide range of stainless steel sanitary products.

The listing particulars relating to Rossmont which include details of the ordinary shares have been published and copies of the listing particulars may be obtained during usual business hours up to and including 22nd December 1993, for collection only, from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2N 1HP and during usual business hours up to and including 7th January 1994 from the registered office of independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, and:-

Keith, Bayley, Rogers & Co.  
Ebbw Vale House, 93-95 Borough High Street  
LONDON SE1 1NL

20th December 1993

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Chelsfield plc, issued and to be issued, to be admitted to the Official List. It is expected that such admission will become effective and dealings commence on 21st December, 1993.

## Chelsfield plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 2636872)

Result of Placing and Intermediaries Offer

of

32,258,064 ordinary shares at 155p per share

Sponsored by

HAMBROS BANK LIMITED

On 9th December, 1993 16,129,032 ordinary shares in Chelsfield plc were placed firm by de Zoete & Bevan Limited with institutional and other investors. A further 16,129,032 ordinary shares were placed subject to recall to satisfy valid applications received under the Intermediaries Offer.

The Intermediaries Offer was 4.86 times subscribed with applications in respect of 78,468,832 ordinary shares being received from 103 intermediaries.

Ordinary shares have been allocated to intermediaries on the basis of approximately 205 shares for every 1,000 Ordinary shares applied for.

Hambros Bank Limited is a Member of The Securities and Futures Authority

20th December, 1993

## IMI expects to float more than 40% of shares

By Haig Simonian in Milan

Mobiliare Italiano (IMI), the second big bank on the Italian government's privatisation list, expects to float more than 40 per cent of its shares, well above original expectations.

The higher total, which contrasts with earlier estimates that only up to 20 per cent of IMI's shares might be sold, suggests the Treasury could raise more than L2,500bn (\$1.5bn), based on informal valuations. Further details are likely after a special IMI board meeting on Wednesday to approve the draft prospectus for the floatation, due in February.

The pricing will not be revealed until next month, but IMI has already indicated its shares will be sold for between L9,800 and L11,000 each, with a one-for-10 bonus issue for domestic retail investors who hold the stock for three years.

By contrast with Credito Italiano, Italy's seventh biggest bank, which will float this month, the IMI deal will be targeted principally at institutional investors, especially abroad. IMI last week said between 60m and 120m shares would be sold to Italian retail investors, representing between 10 per cent and 20 per cent of its share capital.

According to one senior executive, the domestic retail tranche will represent only

about half the shares to be privatised. This implies that the overall deal could involve up to 40 per cent of IMI's capital.

That would be a compromise between the original plan to float no more than 20 per cent of IMI, which specialises in long-term corporate lending and fund management, and later suggestions that the Treasury should dispose of its entire stake, rather than sell the shares in tranches.

The banker said the IMI deal might be brought forward slightly to enable the government to privatise Banca Commerciale Italiana, the big Milan-based bank, before new general elections, expected in March.

BCI had been due to be sold in early April, but the Treasury's advisers have pressed for an acceleration to late February to avoid being overshadowed by the elections and to benefit from the bandwagon effect of privatisation after the Credito Italiano float. About 100,000 applications for Credito Italiano shares were turned down due to oversubscription.

The banker denied IMI might swap places with the better known BCI in the privatisation queue in order to maximise revenues for the Treasury. Any more than a marginal change in the schedule would cause uncertainty in international markets and could prove counterproductive, he argued.

## Skopbank to receive more state support

By Christopher Brown-Humes in Stockholm

Skopbank, the highest casualty of Finland's banking crisis, is to receive a further FM350m (\$80.5m) in state aid so that it continues to meet capital adequacy requirements.

The new injection means the bank has received FM17.03bn in government assistance since it was rescued by the Bank of Finland in September 1991. The government guarantee fund, which has been responsible for Skopbank since June 1992, warned that the bank might need further support next year, even though its performance has improved substantially during 1993.

Credit losses are expected to be 40 per cent lower in 1993 than the FM2.8bn level struck last year. In the first eight months the group made a FM870m operating loss after credit losses reached FM885m.

Skopbank's role as the central bank of the Finnish savings banks has been reduced following the sale of the Savings Bank of Finland to four other banks.

## A triumph of hope over experience

Richard Tomkins looks at the background to United Airlines' employee ownership deal

In the USA in the grip of a workers' revolution? You might think so, to look at what is happening to its airlines. One by one, they are succumbing to employee ownership.

At the end of last week United Airlines, the biggest US carrier, and its labour unions agreed a deal which - if ratified by shareholders and union members - will give employees up to 63 per cent of the company's shares in return for \$50m worth of savings in labour costs.

It is the most spectacular so far in a series of similar deals. Earlier this year Trans World Airlines agreed to give employees 45 per cent of its shares in return for \$600m worth of labour cost savings, and Northwest Airlines agreed a plan giving employees up to 37.5 per cent of the company's equity in return for \$88m worth of concessions.

Nor is the United deal unlikely to be the last. Mr Robert Crandall, chairman and chief executive of American Airlines, the second biggest US carrier, has already said he would welcome a share ownership proposal from his employees. Delta Air Lines and USAir may not be far behind.

The simple explanation for

this phenomenon is the big airlines' desperate need to cut costs. Smaller carriers like Southwest Airlines are transforming domestic air travel in the US into a no-frills commodity business in which only the lowest-cost carriers can compete.

The big airlines have been fighting back by trying to cut their labour costs, which represent their biggest single operating expense.

Thousands of jobs have already gone now the carriers want to cut remaining employees' pay and make them work harder by changing working practices.

Not surprisingly, employees are unenthusiastic about the prospect and their heavily unionised status gives them the power to resist attempts to impose changes unilaterally - as demonstrated by last month's strike by American Airlines' flight attendants.

Carriers are therefore trying to buy employees' compliance by offering them equity stakes in their companies equal to the net present value of the savings expected to flow from their sacrifices.

Even then, it is not proving easy. Northwest only reached agreement with its unions when it was on the brink of

### Largest US companies with employee share ownership plans

Company	% of shares held in Esops
Procter & Gamble	13
Atlantic Richfield	10
Phillips Petroleum	24
Allied Signal	16
Lockheed	18
Ashland Oil	23
Textron	20
Colgate Palmolive	10
Boise Cascade	18
Avis	25
FMC	12
Corning	12
Diamond Shamrock	13
Stanley Works	28
Polaroid	20

Source: The Esop Association

bankruptcy. TWA was already bankrupt, and only won a deal because it formed part of a "do-or-die" rescue plan.

United looks different: it is nowhere near bankruptcy, yet has won what appear to be vast concessions from its unions. In return, however, it has had to yield so many shares to its employees that they will effectively control the company.

Will the result be drastic changes at United? One early consequence is that Mr Step-

hen Wolf, the company's 52-year-old chairman and chief executive, is likely to step aside.

Mr Wolf has already hinted at his desire to move on when the deal is done, and the unions want to replace him with 58-year-old Mr Gerald Greenwald, a former vice-chairman of Chrysler.

In other respects, however, much the same management will go on running the company in much the same way.

The employee representatives will have the power to veto decisions on extraordinary matters such as big acquisitions or disposals. However, as with Northwest and TWA, they will have only two or three seats out of 12 or 13 on the board, so they will not be in a position to dictate corporate strategy.

Rather, the intended effect is more subtle.

As with other employee share ownership plans, the management's hope is that employees who have tied up a sizeable piece of their net worth in the business will be more inclined to drop confrontational attitudes and work harder for the company's success.

At TWA, for example, flight

crews have been giving up their spare time to take part in promotional tours for the airline around US travel agencies.

Yet the idea seems a triumph of hope over experience. Largely as a result of a boom in employee share ownership plans during the 1980s, about 10,000 US companies are partly owned by their employees. It has yet to be conclusively shown, however, that companies that have employee ownership perform better than those that do not.

Significantly, the US airline industry has been here before. In the mid-1980s, when the industry faced similar troubles, employees acquired 9 per cent of Continental Airlines, 11 per cent of Trans World Airlines, 13 per cent of Pan American World Airways, 15 per cent of Republic Airlines, 15 per cent of Pacific Southwest Airlines, 25 per cent of Eastern Airlines and 33 per cent of Western Airlines - in all cases trading wage concessions for equity. They also acquired substantial shareholdings in People Express and America West.

Ominously, it did not appear to help: all nine companies went bankrupt or succumbed to takeovers. If United's plan is to prove revolutionary, it will have to do better than that.

## Partial privatisation for Malaysian utility

By Kieran Cooke in Kuala Lumpur

The electricity supply company in the East Malaysia state of Sarawak is to be partially privatised through a reverse takeover of Dunlop Estates (DEB), formerly a unit of the UK's Dunlop Malayan Estates.

The Sarawak Electricity Supply Co (Sesco) is the sole provider of electricity in Sarawak, one of Malaysia's biggest and most resource-rich states.

In one of the biggest deals undertaken in Malaysia, 45 per cent of Sesco, at present fully owned by the Sarawak state government, will be sold to DEB for some M\$750m (US\$294m). At the same time Sesco will acquire a 60 per cent stake in DEB for nearly M\$1.5bn.

The deal forms part of a wide-ranging privatisation programme.

Analysts say that by reversing into DEB, Sesco will gain access to stock market funds, enabling it to expand and participate in several big infrastructure projects planned in Sarawak. The most prominent of these is a proposed M\$300m hydroelectric project along Sarawak's Rejang river, which

will be capable of producing 2,500MW by the year 2006.

Dunlop was acquired from Dunlop Malayan Estates by the Malaysian Multi-Purpose group of companies in 1981. Since DEB sold its plantations in 1990 its main focus has been on gaming operations - held through its controlling interest in Magnum Corporation, the operator of Malaysia's largest and most profitable lottery.

In a corporate restructuring announced in November, DEB said it intended to sell its 52 per cent interest in Magnum to DEB's existing shareholders. The transaction will raise an estimated M\$1.04bn, part of which will be used to complete the Sesco deal.

Analysts say that though the government in Sarawak will still control Sesco, DEB will be able to exercise considerable influence on the way the utility develops.

DEB and the Multi-Purpose group are part of the business empire of Mr Lim Thian Kiat, who at 34 is often described as Malaysia's youngest tycoon. Multi-Purpose's activities include banking and other financial services, property development and a small shipping fleet.

## Bad debt provisions hit net result at GiroCredit

By Patrick Blum in Vienna

GiroCredit, the Austrian investment bank and clearing institution for the savings bank sector, expects a sharp rise in operating profits this year but net profits will be hit by bad-debt provisions.

On the basis of results in the first 11 months, GiroCredit expects operating profits for the whole year to be around Sch2bn (\$1.68m), compared with Sch1.3bn in 1992. But the bank will have to make provisions of Sch1.4bn to cover bad debts and costs related to the purchase of OCB, a small savings bank, in 1992. No dividend will be paid for 1993.

After a supervisory board meeting on Friday, Mr Hans Haumer, chairman, said he hoped 1993 would be the last year the bank has to draw on its hidden reserves to cover debts.

Next year, GiroCredit is expected to start to benefit from a Sch2bn package of measures, approved by shareholders in November, designed to cut costs and increase revenues over a three-year period.

Mr Haumer was also optimistic that a solution would be found in the next few weeks for the long-awaited reorganisation of the savings bank sector with a new ownership structure for GiroCredit.

## Schimmelbusch's downfall

Continued from Page 15

chief executive. But investigations continued and the original assessment had to be revised.

As Mr Neukirchen, failed in Germany for undertaking the savage restructuring of the FAG Kugelfischer ball-bearing group, puts his feet under Mr Schimmelbusch's desk this morning, at least two questions remain unanswered.

The first is straightforward: how big is the hole at MG Corp? The big German banks have hinted that further equity will have to be pumped into Metallgesellschaft, and that the group's pre-tax losses for the year to September will have to be revised from the provisional DM\$4m reported last month.

The second is more far-reaching: what implications will the case have for German corporate governance? Under the German system, poor manage-

ment is not corrected by the fear of takeover, but by the actions of the supervisory board. How well did the Metallgesellschaft supervisory board supervise Mr Schimmelbusch?

Friday's statement said Mr Schimmelbusch was ousted because he failed to keep the supervisory board informed about developments in the US, which might have been in breach of German corporate law. The board - headed by Mr Ronaldo Schmitz of the Deutsche Bank - will no doubt claim to have acted swiftly in ejecting Mr Schimmelbusch once the scope of MG Corp's plight became clear.

But the big German banks are particularly close to Metallgesellschaft as shareholders, creditors, providers of financial services and as board directors. Given this degree of closeness, it is surprising they did not identify Mr Schimmelbusch's weaknesses earlier.

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20th December, 1993

# The Markets

THIS WEEK

Global Investor / Peter Martin

## Information could end emerging class



Is the continuing rise in emerging stock markets, shown in the chart, the last gasp of a style of investing that has had its day?

This question is raised by a piece of futurology from Cornelia Small, director of equity research at Scudder, the New York fund manager. She argues in a paper rather grandly titled "A Kaleidoscopic View of the 21st Century" that the information revolution will be the dominating theme of the decades ahead.

Stifle that yawn! The interesting bit of the argument is its application to conventional country-based portfolio construction.

"The revolution is redefining industrial boundaries," she says, "and these industrial redefinitions are taking place across national borders, frequently despite national borders."

Because an information age country lets free markets work, the role of its government is reduced, weakening one of the strongest sources of country identity. Even nations that linger in the old-fashioned industrial age lose some of their "countryness".

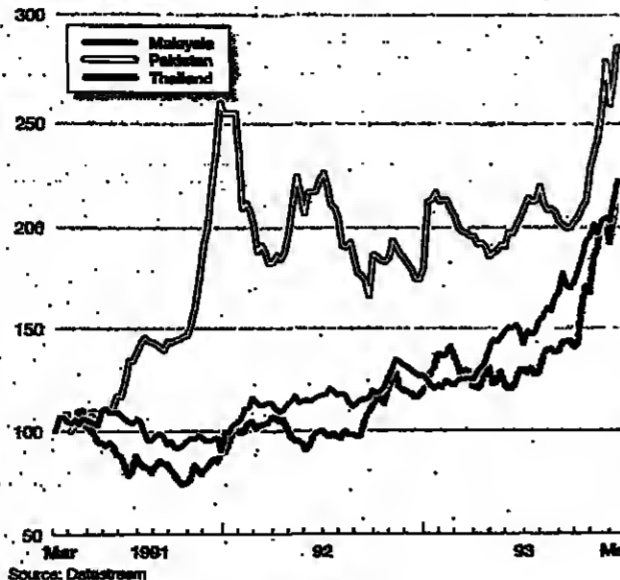
The information revolution undermines a country's ability to pursue independent economic policies, strengthens the relative power of global companies, threatens the comparative advantage of mature countries, and weakens national cultures.

As capital becomes mobile, differences between capital markets diminish. "The investment characteristics of these markets will reflect more what's going on in the global market than in the local economy."

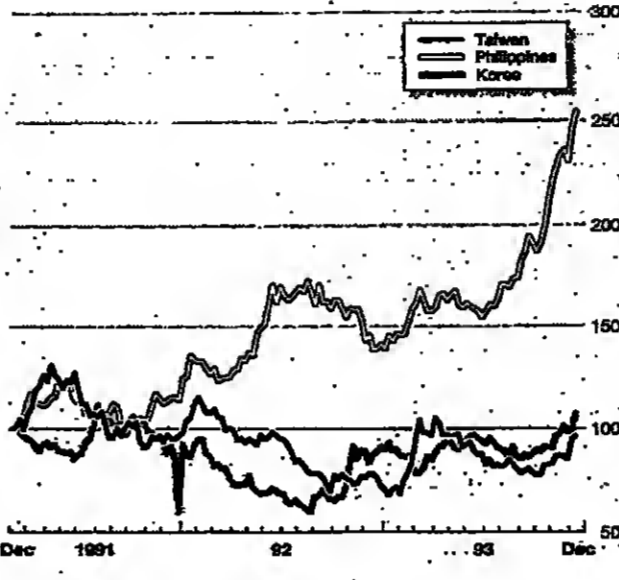
Emerging countries, in particular, will divide into two classes: those that make the

### The second wave of emerging markets

JFC Indices rebased



Source: Datastream



leap to advanced industrialisation, and those that stay as emerging, never quite making the breakthrough.

The first category are the ones that possess investment interest, but they will no longer constitute a separate asset class. Instead, investors will have to focus, as in mature economies, on those emerging-market companies that are best placed to compete globally.

For the same reason, she says, indexing will no longer be an attractive strategy, nor will investment styles based on timing the domestic business cycle, which will be swamped by the structural transition in the global economy.

Do we believe her? You do not have to buy the whole vision to notice a peculiar fact about the charts at the top of the page. The markets which contain the global companies of the future - South Korea and Taiwan - have gone precisely nowhere over the

past three years. The markets which have the biggest percentage rises, including Pakistan, the Philippines, Malaysia, Thailand, are those where foreign investors have bought the country story.

Moral: economies where the small effect is starting to work and companies are joining the global market require more careful stock-picking. Country-based investing is not dead, though, in economies which are still a step or two behind.

Perhaps Gatt, which strengthens the integration of the global market, and places greater exporting power in the hands of aggressive developing-country companies, will intensify the Small effect. It will not triumph, though, as long as investors treat a company's nationality as its most important characteristic. They will persist in that approach while it offers returns like the ones shown in the left-hand chart.

### Export or die

Gatt will strengthen the hands of mid-sized companies everywhere, argues Morgan Stanley's David Roche. They will no longer need the army of lawyers and the government backing previously necessary to do business overseas. And their interests will be better protected by the general strengthening of commercial disciplines, most noticeable in such areas as intellectual property.

In fact, the opening up of overseas markets to mid-sized companies is one of the unnoticed trends of the past decade. Arguably, it is due as much to the growth of support services and new technology - fax machines, cross-border toll-free telephone lines, pan-continental advertising, English as a lingua franca, easy availability of currency hedging, the growth of third-party logistics suppliers such as couriers and maintenance companies - as it

is to any change in trade regulations.

Whatever the reason, though, two investment implications spring to mind. First, potential growth companies can be found among businesses turning themselves from small-scale domestic producers into global niche operators (and among their service suppliers). Second, overseas exposure, already an important feature of the top end of most stock markets, is spreading slowly down the size range. The habit, ingrained in many markets, of thinking of mid-sized companies as purely domestic plays may have to change.

### Leaner, meaner

One of the big stories of the next year will be the extent to which restructuring pays off for big German companies. Last week saw Daimler-Benz's renegotiation of labour costs at its Rastatt plant and Metallgesellschaft's hiring of a

renowned cost-cutter as its replacement boss.

There is a lot of scope for squeezing. A study of big German companies by Smith New Court, the London investment bank, points out that average labour costs per Daimler-Benz employee, for example, rose from DM 64,000 to DM 83,600 (233,000) between 1987 and 1992, a compound annual rate of 5.5 per cent.

This was partly due to acquisitions, but it is still a fearful figure, especially as the German labour force works the shortest hours in Europe. The recent performance of the Dax, which is still hovering around its all-time high, suggests that investors believe the restructuring is well advanced, and profits are moving back towards their 1989 peaks. Experience in the US and Britain suggests that this phenomenon is likely to be more patchy, and more delayed, than investors expect.

### Reforming Italy

Italy's parliament should finish approving the 1994 budget this week, an essential element in the reform process which has taken the task of economic adjustment out of the hands of the old political establishment.

The more unsettling thought is that approval of the budget paves the way for elections due by March. The elections themselves are part of Italy's shift, as Mr Franco Bernabè, newly appointed chairman of Eni, the state energy company, put it last week, from a Ptolemaic world to a Copernican one.

He meant, I think, that the intellectual revolution the country is undergoing is as great as that which accompanied the discovery that the earth went round the sun.

In the long run, such revolutions are healthy. In the short run, they may prove alarming. Still, Mr Bernabè, an economist, takes comfort in the

### Total return in local currency to 12/12/93

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.08	0.05	0.12	0.13	0.16	0.11
Month	0.26	0.21	0.28	0.27	0.35	0.24
Year	4.06	3.83	5.05	5.50	13.56	8.81
Bond 3-5 year						
Week	-0.27	-0.17	-0.02	-0.05	0.54	0.09
Month	-0.12	-0.04	0.05	0.02	1.70	0.12
Year	8.67	11.28	15.61	15.23	27.94	14.50
Bond 10-15 year						
Week	-0.34	-0.08	-0.05	-0.02	-0.87	0.70
Month	-0.05	-0.02	0.13	0.11	-0.52	0.82
Year	13.63	15.51	17.74	24.53	38.60	22.24
Equity						
Week	0.2	0.2	0.2	0.2	0.2	0.2
Month	0.8	0.8	0.8	0.8	0.8	0.8
Year	10.0	10.0	10.0	10.0	10.0	10.0

### Best performing emerging market 12/12/93

	Week	Month	Year
Consolidated Performance	0.12	0.12	0.12
China	0.12	0.12	0.12
India	0.12	0.12	0.12
Indonesia	0.12	0.12	0.12
Malaysia	0.12	0.12	0.12
Philippines	0.12	0.12	0.12
Singapore	0.12	0.12	0.12
Taiwan	0.12	0.12	0.12
Thailand	0.12	0.12	0.12
UK	0.12	0.12	0.12
US	0.12	0.12	0.12

thought that public opinion is "moderate, committed to free trade and the free market, and that the desirability of privatisation, has broken the wage-price spiral."

He has one other optimistic thought. Though Italy's equity market remains underdeveloped, there has been a switch by savers out of bank deposits and into government bonds over the past 35 years.

"For a farmer in Fiesole or a shopkeeper in Naples to buy a treasury bill is a sophisticated move," says Mr Bernabè.

Let us face that problem when we come to it.

### Economic Eye / Edward Balls

## Delayed effects of Japan's demographic time-bomb



At last the Japanese economic establishment is starting to see sense. Over the past year, the economy has been sinking steadily under a mountain of property-related bad debts. But Japan's stifling consensus has stuck to the line that direct public action to bail-out the troubled banks was not an option, while the banks' own under-capitalised loan-buying agency has removed only a small portion of non-performing loans from their balance sheets.

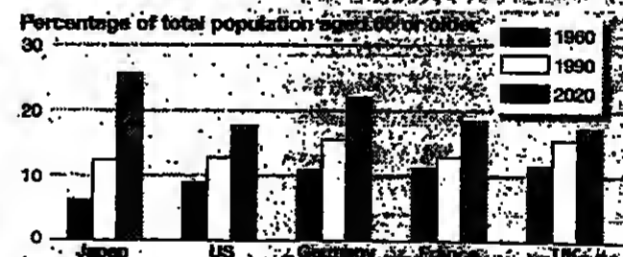
In recent weeks, this consensus has started to shift. Late last year, Kaidanren officials appeared strongly opposed to any injection of public funds to re-capitalise the banks. But last week, Mr Gaisi Hiraoka, chairman of the Kaidanren, the leading business federation, called for public funds to be used to buy land to stimulate the property market and allow the banks to sell the collateral on non-performing loans.

It is easy to see why increasingly worried business leaders are looking for new solutions. For Japan's deepening recession is taking on more of the characteristics of a credit-constrained crunch. Large companies, who over-invested in the late 1980s, have less reason to be worried by the banks' caution. But the Bank of Japan's Tankan survey of business opinion does show that companies find it harder to borrow than usual while the broad measure of the money supply is still barely growing.

Meanwhile the OECD's annual report on the Japanese economy, which does not usually stray too far from the Ministry of Finance view of the world, acknowledged that small- and medium-sized businesses were experiencing difficulties in obtaining new finance from the troubled, while mysteriously noting that "so far, there has been no direct injection of public funds into the banking sector."

But direct purchases of land by the state would not be the OECD's preferred approach - cheap Bank of Japan loans to the loan-buying agency would achieve the same result without artificially boosting land prices.

### Developed countries approach maturity



Source: OECD

### Support ratios



Source: Hiraoka (1993)

### Public investment



Source: OECD, FT calculations

Yet there is another reason why direct support for the financial sector is back on the agenda. For, while interest rate cuts have had little perceptible effect on activity, the Japanese Ministry of Finance has come to the conclusion that they have gone as far as it dare with fiscal expansion.

The coalition government remains under pressure, both domestically and from the US, to announce a fourth, tax-cutting package. But the Ministry of Finance is putting its foot down.

Once again, the OECD report provides a good guide to the likely shape of the Ministry of Finance's case. By digging beneath the surface of the government's complex public accounts, the OECD has discovered that Japan's fiscal condition is not quite as healthy as it may seem.

Digging part of the way seems to suggest that Japan's fiscal position is actually better than the Ministry of Finance likes to admit. Yes, Japan has

a large central government deficit and a high ratio of government debt to gross national product by international standards.

But the general government budget, which including the proceeds of social security taxes which are mysteriously excluded from the central government budget, reveals a rather small deficit for a recession-locked economy of 1 per cent of GNP this year.

Adding the assets of the social security fund produces a tiny net general government debt ratio of just 4 per cent of GNP.

But, says the OECD, dig further. First, social security contributions account for only 20 per cent of the proceeds into the social security fund - the bulk comes from post-office savings, life assurance and government guaranteed bonds. But these should be counted as public sector borrowing, adding them to the general government account produces a public sector borrowing

requirement of 4.6 per cent of GNP in 1992. Second, a significant portion of the social security funds are invested - via the off-budget Fiscal Investment Loan Programme - in public sector infrastructure projects as well as private projects. This helps explain Japan's high share of public investment in GNP compared to other European countries, especially Britain.

But FILP investments in public projects should not be included as net public sector assets. Excluding them raises the net public sector debt ratio to 24 per cent of GNP, still lower than the OECD average of 35 per cent.

But it is Japanese demographics which transform what still seems a rather healthy picture. Japan has a relatively young population which is ageing fast, the direct opposite of Britain, as the chart shows. The result is that a dwindling band of Japanese taxpayers will have to support an increasingly old population. By 2040, only Germany among the large developed countries will have a lower ratio of working-age to retired people. The UK, by contrast, shifts from having one of the lowest to the highest support ratio.

It is these demographic trends which enabled London School of Economics professor John Hills to argue convincingly, in his recent Joseph Rowntree Foundation report, that the current level of British welfare spending is not threatened by the fabled demographic time-bomb. He estimates that even if UK pensions are linked to earnings, rather than prices as at present, UK spending would rise by only 5 percentage points of GDP over the next 40 years.

For Japan, the opposite conclusion applies. Japan currently has a lower share of public spending in GNP than the UK - a little over 30 per cent compared to 45 per cent in Britain. But, according to previous OECD estimates, for Japan to maintain current benefit provision, will mean a 30 per cent rise in the ratio of non-interest spending to GNP. No wonder the Ministry of Finance is nervous about more fiscal activism, and perhaps also increasingly willing to consider other options to revive the economy.

This announcement appears as a matter of record only

December 1993



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The Emerging Investor / Stefan Wagstyl

## Striking not celebrating in Bombay

Instead of celebrating the longest stock market rally in 18 months, Bombay stockbrokers went on strike from Tuesday of last week.

They declined to carry out a single order, and stayed away from their newly-renovated trading floor.

The brokers' action followed a six week price surge in which the Bombay Stock Exchange's leading index soared by nearly 30 per cent, largely due to a rapid increase in foreign portfolio investment. Foreign fund managers wanted to buy more stock this week, but they were left cooling their heels while the brokers pursued a long-running dispute with the Securities and Exchange Board of India (SEBI), the market's watchdog.

The strike could be settled in a day or two.

Nevertheless, it will be remembered as a sign of the practical difficulties of investing in emerging markets. Even in India, where the capital markets are better established than in most other developing countries, stock market practice is different from that in the industrial world. The modernisation of India's financial markets, an integral part of the government's economic reforms, still has some way to go.

However, the events of the last week are unlikely to stem the tide of international interest in Indian markets.

Foreign financial investment

has risen from only \$3m (\$2m) in March and \$20m in June to more than \$500m in the past seven weeks, helping prices to stage their biggest rally since the BSE400 (31.270) securities scandal erupted 18 months ago and sent investors running. Foreign fund managers began studying India seriously after the authorities lifted a long-standing ban on foreign stock market investment late last year. About 115 institutions have now been authorised, including companies based in the US, the UK, Switzerland and Hong Kong.

As well as investing money from existing funds, managers have launched five Indian country funds. The largest is a \$150m offering from Foreign & Colonial, the British investment house.

Foreign investors have also been buying Indian equity and bond offerings on the international markets. Twelve Indian companies have raised \$1.5bn since the government permitted them to tap the Euro-market in early 1992, and 30 other groups plan to raise up to a further \$3bn in the next year. The issues have been so popular that one recent offering of a \$75m convertible bond issue from Gujarat Ambuja Cement, a leading cement maker, attracted bids worth \$1bn.

Even after the recent flood of money, foreigners own only about 1 per cent of the Indian market, which has a total capitalisation of about \$70bn.

Ten best performing stocks				
Stock	Country	Friday close	Week on week change	%
China Trust	Taiwan	2.16	0.83	41.09
China Airlines	Taiwan	2.67	0.87	33.83
Ezcamtel Yatirim	Turkey	0.63	0.18	33.09
Int. Commercial Bank	Taiwan	2.54	0.58	28.44
United Microelectronics	Taiwan	3.01	0.86	28.06
Int. Bills Finance	Taiwan	2.03	0.44	27.83
Taiwan	Taiwan	0.44	0.11	27.21
TJW Kimia	Indonesia	2.28	0.47	26.04
Med. Business Bank of Hain	China	6.27	1.28	25.68
Yung Tay Engineering	Taiwan	5.48	1.09	24.98

Source: Baring Securities

Mr Pradip Shah, managing director of Credit Rating Information Services, a Bombay-based research company, says: "For foreign financial institutions, this is a strategic investment. They want to diversify. They already have China and China-related stocks in their portfolios. They have invested in South East Asia and in South America. Now they are looking at India."

The Indian economy's size appeals to foreign investors, as does the fact that economic reform started only two years ago, so its benefits are still to come.

Liberalisation is taking place against a background of solid, if unspectacular, economic growth of between 4.5 and 5 per cent a year, due primarily to a succession of good harvests and a spurt in exports.

After two years of stagnation, industry is seeing the first signs of recovery. Profits are growing, with a 25 per cent

increase posted by the top 725 companies in the six months to the end of September.

India offers foreign fund managers a more congenial environment than some other developing countries, although lax regulation has permitted unscrupulous brokers to take advantage of unwary clients, and price manipulation is hard to control in a market in which about 80 per cent of transactions are completed in an untransparent forward market called *badla*.

But SEBI is now tackling these shortcomings very aggressively. Indeed, the brokers' strike was triggered by a SEBI move to liquidate positions in the *badla* market.

India also suffers from some important handicaps in the race for international investment.

First, as in most developing countries, there is the risk of instability. Next, reforms are unlikely to

come at a rapid pace. The Indian economy is also growing modestly in comparison with some other developing nations, particularly China.

When the strike ends, brokers expect prices to fall as speculative investments are liquidated.

But after that, continued foreign investment could support further price increases. Mr Navinder Sahni, manager of the Bombay office of Marlin Partners, a Hong Kong based broker, says: "We can expect a correction, but further gains next year."

Foreign fund managers are becoming increasingly careful about valuing individual stocks. At the top, leading blue chips, including affiliates of multinationals such as Hindustan Lever, a part of Unilever, the Anglo-Dutch conglomerate, trade on price-earnings ratios of up to 45. They are highly valued because they are well known and well managed and trading is reasonably liquid.

However, India has about 1,300 other actively traded stocks out of a total of 7,000 listed companies. Many of these change hands at multiples of below 10. It is here where some foreign fund managers hope to find long-term value. As Mr Sahni says: "It's wrong to say that the Bombay market as a whole is overvalued. As foreign investors become familiar with India they will redeploy their funds into the smaller companies."

## Taiwan

A record amount of foreign buying in the fortnight to last Thursday helped to fuel the bull run which has taken the Taiwan market up 28 per cent since the ruling Nationalist Party's victory in local government elections on November 27.

Net foreign buying totalled \$10.2bn between December 1 and 18, compared with a total of \$3.6bn so far this year and \$36.2bn in all of 1992, the Taipei exchange reported.

## Mexico

Foreign investors have poured \$8m into Mexican stocks in the year to date, partially as a result of the volume of new offerings this year, the Mexican Securities and Exchange Commission has reported.

## Brazil

Brazil's National Privatisation Commission has drawn up a list of 36 state-controlled companies that could be privatised in 1994. Thirty-two of the companies have been given preliminary sale dates and are expected to raise about \$5bn.

Morgan Stanley has reduced the weighting of Brazil from 29 per cent to 25 per cent in its Latin American model portfolio and used those funds to increase the level of cash holdings.

## New York

Mr Nicolas Rohatyn, chairman of the Emerging Markets

## News round-up

Traders Association, forecast at the annual meeting that the world's emerging markets will be driven in 1994 by continuing growth in trading volumes, participation by more investors, increased activity in markets outside Latin America and greater trading of local instruments and equities.

## Kenya

In an effort to improve its standing with western donors, Kenya is abolishing all foreign currency controls. One result is that non-resident shareholders will be able to receive interim dividends without delays.

## China

China's stock investors will face a 20 per cent tax on their capital gains next year but details of how the charge will be applied are still being worked out, the Securities Market Weekly has reported.

Beijing is to start phasing out money it issues to foreigners from next year as part of a wide-ranging currency reform that includes unifying different exchange rates. The Beijing Review said

Foreign Exchange Certificates (FECs) would be gradually phased out from next year.

## Bulgaria

Bulgaria plans to cancel contracts with foreign firms hired to consult on its troubled privatisation programme, accusing them of wrecking the scheme.

Ms Reneta Indjova, head of the privatisation agency, was quoted as saying that foreign consultants had upset negotiations and their insistence on transparency was damaging.

## Thailand

Thailand's Securities and Exchange Commission is to fine a number of Taiwanese and Thai individuals for acquiring 40 per cent of a hospital group, Vitacor, as a group and without reporting it to the SEC. The SEC said that the group now holds 3,050,400 shares or 40.67 per cent of Vitacor. The shares have been suspended since September 27.

Further coverage of emerging markets appears daily on the World Stock Markets page.

## CURRENCY MARKETS

## Bands returning to a tighter tune

Slowly but surely, most currencies in Europe's exchange rate mechanism have crept back into the fluctuation bands they were forced to abandon when the system blew up last August.

With stage two of the Maastricht Treaty on European economic and monetary union about to start, some observers have been considering a return to narrower bands.

"A move to 2.25 per cent bands may not be immediate, but certainly 35 per cent bands look increasingly unnecessary," said Mr Nigel Richardson, international economist at Yamaichi International.

When the fluctuation ranges

for all ERM currencies except the Dutch guilder and the D-Mark were widened to 15 per cent on August 2, many member countries stated their intention to return to the 2.25 per cent bands as soon as possible.

Initially most currencies plunged against the D-Mark. Germany's neighbours were expected to take advantage of the wider bands to slash interest rates to kickstart their economies, while Germany needed to maintain a tight monetary stance to combat inflation pressures arising from unification.

Rather than adopt the cut-and-run approach, however,

many countries preferred to shadow the Bundesbank, which has steadily lowered interest rates, since the ERM revamp. "There is now a symmetry of policy needs in Europe, where Germany requires lower rates as much as other members of the ERM," Mr Richardson said.

Core European and southern currencies moved back within or close to their former bands. The Danish krone is just below its former 2.25 per cent band, the French and Belgian francs recently re-entered theirs, and the Irish punt, recently the strongest currency in the EMS, is trading above its central rate. Meanwhile, the Spanish

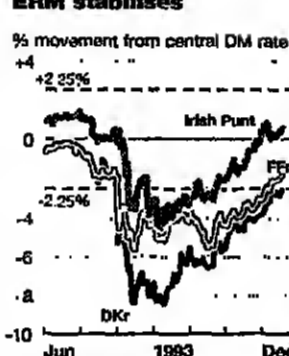
peseta and Portuguese escudo are back in their 6 per cent range.

However, after getting their fingers burnt Europe's policy makers will think twice about returning to narrow bands. Wide bands offer countries more monetary flexibility and a tighter exchange rate regime would be an easy target for speculators intent on testing the authorities' resolve to defend the bands.

Last month, Bundesbank President Hans Tietmeyer argued against hasty moves towards EMU. Given the present environment and the need for rebuilding the credibility of the system, such a move would

Conner Middelmann

## ERM stabilises



Source: Datastream

be premature and counter-productive, he warned.

## FT GUIDE TO WORLD CURRENCIES

This table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 17, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where noted. They are shown to be converted to the base of 100. In some cases market rates have been calculated from those of foreign currencies to which they are the average of buying and selling rates except where noted.

£ S10					US \$	D-MARK	YEN	£ S10	US \$	D-MARK	YEN	£ S10	US \$	D-MARK	YEN
							(¥ 100)								
Algeria (Dinar)	229.20	103.35	801.374	135.73	Bahrain (Dinar)	12.5116	6.3815	4.821	7.8175	Pakistan (Pak. Rupee)	44.7891	30.0396	17.0161	27.2998	
Angola (Escudo)	103.68	109.88	64.442	99.734	Barbados (Dollar)	2.2423	1.0762	1.5777	1.4910	Peru (Sol)	1.9310	1.0194	0.2684	0.9077	
Argentina (Peso)	35.709	23.944	14.0622	57.721	Belize (Dollar)	1.1682	0.5229	0.7523	1.0277	Puerto Rico (Peso)	2.0712	1.0194	0.2684	0.9077	
Australia (Dollar)	0.8905	0.8290	3.4178	5.7007	Bhutan (Ngultrum)	1.00	0.8706	0.9630	0.8088	Romania (Leu)	2.1713	1.0194	0.2684	0.9077	
Austria (Schilling)	13.205	10.141	32.155	102.00	Bolivia (Boliviano)	34.9150	20.1011	2.0811	2.0811	Russian Fed. (Ruble)	2.1713	1.0194	0.2684	0.9077	
Bahamas (Dollar)	100.00	7.0471	39.6231	81.222	Bosnia (Convertible Mark)	3.9600	0.68	3.2174	6.0038	S. Africa (Rand)	1.00	0.7678	1.6401	25.3801	
Bangladesh (Taka)	4.3127	2.0973	1.5817	2.4982	Brazil (Real)	2.8217	2.8217	2.4203	2.4203	Spain (Peseta)	1.00	0.0166	0.3333	0.0088	
Belarus (Belarusian Ruble)	1.4070	0.8972	0.5849	0.5849	Bulgaria (Bulg. Lev)	2.4000	0.6000	0.3000	0.3000	Sweden (Krona)	1.00	0.7456	1.4835	17.4644	
Belgium (Franc)	2.0902	1.7891	1.9498	1.8232	Cameroon (CFA Franc)	1.00	0.8706	0.9630	0.8088	Switzerland (Franc)	1.00	0.7363	1.4536	17.3563	
Belize (Dollar)	1.00	0.8706	0.9630	0.8088	Canada (Dollar)	1.00	1.0000	1.0000	1.0000	Taiwan (New Taiwan Dollar)	1.00	0.0246	2.4600	24.6000	
Bhutan (Ngultrum)	1.00	0.8706	0.9630	0.8088	Chad (CFA Franc)	1.00	0.8706	0.9630	0.8088	Tanzania (Shilling)	1.00	0.0351	28.5714	285.7143	
Bolivia (Boliviano)	34.9150	20.1011	2.0811	2.0811	Chile (Peso)	100.00	100.00	100.00	100.00	Thailand (Baht)	1.00	0.0351	28.5714	285.7143	
Bosnia (Convertible Mark)	3.9600	0.68	3.2174	6.0038	Croatia (Croatian Dinar)	1.00	0.0002	2,000.00	2,000.00	Togo (CFA Franc)	1.00	0.8706	0.9630	0.8088	
Brazil (Real)	2.8217	2.8217	2.4203	2.4203	Cuba (Cuban Peso)	1.00	0.0002	2,000.00	2,000.00	Tonga (Pa'anga)	1.00	0.0351	28.5714	285.7143	
Bulgaria (Bulg. Lev)	2.4000	0.6000	0.3000	0.3000	Cyprus (Cypriot Pound)	1.00	0.0002	2,000.00	2,000.00	Trinidad (Dollar)	1.00	0.0351	28.5714	285.7143	
Burkina Faso (CFA Franc)	1.00	0.8706	0.9630	0.8088	Czech Rep. (Czech Koruna)	1.00	0.0002	2,000.00	2,000.00	Tunisia (Dinar)	1.00	0.0351	28.5714	285.7143	
Burundi (CFA Franc)	1.00	0.8706	0.9630	0.8088	Denmark (Danish Krone)	1.00	0.0002	2,000.00	2,000.00	Turkey (Lira)	1.00	0.0002	2,000.00	2,000.00	
Cambodia (Riel)	1.00	0.0002	2,000.00	2,000.00	Egypt (Egyptian Pound)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cameroon (CFA Franc)	1.00	0.8706	0.9630	0.8088	El Salvador (Colon)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Canada (Dollar)	1.00	1.0000	1.0000	1.0000	Ecuador (Dollar)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cape Verde (Escudo)	1.00	0.0002	2,000.00	2,000.00	Egypt (Egyptian Pound)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Casino (CFA Franc)	1.00	0.8706	0.9630	0.8088	France (Franc)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cayman (Dollar)	1.00	0.0002	2,000.00	2,000.00	Germany (Mark)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cen. Rep. (CFA Franc)	1.00	0.8706	0.9630	0.8088	Ghana (Cedi)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Chad (CFA Franc)	1.00	0.8706	0.9630	0.8088	India (Rupee)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Chile (Peso)	100.00	100.00	100.00	100.00	Indonesia (Rupiah)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
China (Yuan)	1.00	0.1567	6.3554	63.5544	Israel (Sheqel)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Colombia (Peso)	1.00	0.0002	2,000.00	2,000.00	Italy (Lira)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cote d'Ivoire (CFA Franc)	1.00	0.8706	0.9630	0.8088	Japan (Yen)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Croatia (Croatian Dinar)	1.00	0.0002	2,000.00	2,000.00	Korea (Won)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cuba (Cuban Peso)	1.00	0.0002	2,000.00	2,000.00	Laos (Kip)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Cyprus (Cypriot Pound)	1.00	0.0002	2,000.00	2,000.00	Lebanon (Lebanese Pound)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Czech Rep. (Czech Koruna)	1.00	0.0002	2,000.00	2,000.00	Lithuania (Litas)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Madagascar (Ariary)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Malawi (Malawi Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Malaysia (Malaysian Ringgit)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Mexico (Mexican Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Moldova (Moldovan Leu)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Mongolia (Mongolian Tugrik)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Morocco (Moroccan Dirham)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Mozambique (Mozambican Escudo)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Nepal (Nepalese Rupee)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Netherlands (Dutch Guilder)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	New Zealand (New Zealand Dollar)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Nicaragua (Nicaraguan Cordoba)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Norway (Norwegian Krone)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Paraguay (Paraguayan Guaraní)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Peru (Sol)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Puerto Rico (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Romania (Leu)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Russian Fed. (Ruble)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	S. Africa (Rand)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Spain (Peseta)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Sweden (Krona)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Switzerland (Franc)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Taiwan (New Taiwan Dollar)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Tanzania (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Thailand (Baht)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Togo (CFA Franc)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Tonga (Pa'anga)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Trinidad (Dollar)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Tunisia (Dinar)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Turkey (Lira)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0351	28.5714	285.7143	
Dominican Rep. (Peso)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)	1.00	0.0002	2,000.00	2,000.00	Uganda (Shilling)					





## WORLD STOCK MARKETS

EUROPE									
Country	Index	High	Low	Open	Close	Change	Vol	High	Low
AUSTRIA (Dec 17/93)									
ATX	1,250	1,250	1,250	1,250	1,250	0.0			
BELGIUM (Dec 17/93)									
BEI	3,400	3,400	3,400	3,400	3,400	0.0			
FRANCE (Dec 17/93)									
CAC	3,400	3,400	3,400	3,400	3,400	0.0			
GERMANY (Dec 17/93)									
DAX	2,300	2,300	2,300	2,300	2,300	0.0			
ITALY (Dec 17/93)									
FTSE	2,300	2,300	2,300	2,300	2,300	0.0			
NETHERLANDS (Dec 17/93)									
AEX	1,250	1,250	1,250	1,250	1,250	0.0			
PORTUGAL (Dec 17/93)									
BVL	1,250	1,250	1,250	1,250	1,250	0.0			
SPAIN (Dec 17/93)									
IBEX	1,250	1,250	1,250	1,250	1,250	0.0			
SWEDEN (Dec 17/93)									
OMX	1,250	1,250	1,250	1,250	1,250	0.0			
SWITZERLAND (Dec 17/93)									
SIX	1,250	1,250	1,250	1,250	1,250	0.0			
UNITED KINGDOM (Dec 17/93)									
FTSE 100	2,300	2,300	2,300	2,300	2,300	0.0			
EUROPEAN STOCK EXCHANGES (Dec 17/93)									
Index	High	Low	Open	Close	Change	Vol	High	Low	Open
AFRICA									
SOUTH AFRICA (Dec 17/93)									
FTSE JSE	1,250	1,250	1,250	1,250	1,250	0.0			
MALAYSIA (Dec 17/93)									
FTSE M	1,250	1,250	1,250	1,250	1,250	0.0			
SINGAPORE (Dec 17/93)									
FTSE S	1,250	1,250	1,250	1,250	1,250	0.0			
NORTH AMERICA									
CANADA (Dec 17/93)									
FTSE C	1,250	1,250	1,250	1,250	1,250	0.0			
UNITED STATES (Dec 17/93)									
FTSE US	1,250	1,250	1,250	1,250	1,250	0.0			
ASIA									
AUSTRALIA (Dec 17/93)									
FTSE A	1,250	1,250	1,250	1,250	1,250	0.0			
HONG KONG (Dec 17/93)									
FTSE H	1,250	1,250	1,250	1,250	1,250	0.0			
TOKYO (Dec 17/93)									
FTSE J	1,250	1,250	1,250	1,250	1,250	0.0			
SEATTLE (Dec 17/93)									
FTSE S	1,250	1,250	1,250	1,250	1,250	0.0			
MONTREAL (Dec 17/93)									
FTSE M	1,250	1,250	1,250	1,250	1,250	0.0			
LONDON (Dec 17/93)									
FTSE L	1,250	1,250	1,250	1,250	1,250	0.0			

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**FT CITYLINE UNIT TRUST PRICES:** dial 1 (888) or (336) 1430000, ext. 4, and *listen in the Sun Belt area listed below. Calls are charged at 8¢/minute plus phone rate and 18¢/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (971) 973-4378.*

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هكذا من الاصل

● FT Cityline Unit Trust Prices: dial (0801 or 0396) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

● FT Cityline Unit Trust Prices: dial (0801 or 0396) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

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**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices: dial (0891) or (0336) 430000, enter 4 and 1 on the five digit card listed below. Calls are charged at 28p/minute, plus 10p and 15p/min at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 906 9000.

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## CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND


Dec 17	Closing	Change	Against	Day's	One	Three	One	Bank
	mid-point	on day	spread	high	month	month	month	of
					Rate	Rate	Rate	Rate
Europe	12.00							
Austria	12.00							
Belgium	12.00							
Denmark	12.00							
France	12.00							
Germany	12.00							
Greece	12.00							
Ireland	12.00							
Italy	12.00							
Luxembourg	12.00							
Netherlands	12.00							
Norway	12.00							
Portugal	12.00							
Spain	12.00							
Sweden	12.00							
Switzerland	12.00							
UK	12.00							
USA	12.00							
Japan	12.00							
South Korea	12.00							
Thailand	12.00							
Malaysia	12.00							
Singapore	12.00							
Philippines	12.00							
Indonesia	12.00							
Maldives	12.00							
Brunei	12.00							
East Africa	12.00							
South Africa	12.00							
Latin America	12.00							
Caribbean	12.00							
Central America	12.00							
South America	12.00							
Asia	12.00							
South East Asia	12.00							
South West Asia	12.00							
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## FT GUIDE TO THE WEEK

20

MONDAY

## PLO and Israel try again



Secret talks are expected to continue in Oslo between Israel and the Palestine Liberation Organisation in an attempt to get the stalled peace process back on schedule. The sticking-point has been the wish of PLO leader Yasser Arafat (above) to assume as many trappings of sovereignty as possible.

**Gulf council:** The Gulf Co-operation Council holds annual meeting in Riyadh this week. On the agenda is possibility of lifting the Arab economic boycott of Israel. They are also expected to discuss regional security, relations with Iran and Iraq, economic co-operation, and measures needed to stem the fall in the price of oil.

**Goodwill:** The UK Accounting Standards Board publishes a discussion document on goodwill - the difference between what a company pays to buy a business, and the value of this acquisition's net assets.

**TUC relaunch:** The finance and general purposes committee of the Trades Union Congress, the umbrella for Britain's organised labour movement, is to discuss an internal shake-up. It is to lead an official relaunch under John Monks.

21

TUESDAY

## Bombay securities scandal

A committee of Indian MPs is to report to parliament on last year's Rs40bn (US\$68m) scandal in the Bombay securities market. Stockbrokers and banks are likely to be blamed for the illegal siphoning of money out of the banking system and into the stock market.

**Bosnia's warring factions:** The Serb and Croat presidents are due to resume talks in Geneva on division of the country on ethnic lines. The teams move to Brussels tomorrow.

**Korean cabinet:** President Kim Young Sam is expected to announce a new cabinet which will emphasise business reforms.

**New Zealand's parliament:** reconvenes after November's general election, which cut the ruling National Party's majority from 34 to one.

**Nagorno-Karabakh:** Armenian and Azerbaijani representatives meet in Helsinki to discuss ending the war in the Armenian enclave in Azerbaijan. Representatives from Nagorno-Karabakh are also expected to attend.

**Unicef:** The United Nations Children's Fund publishes its yearly report on the state of the world's children. The study, which is being launched by US President Bill Clinton, is expected to focus on successes in the battle against childhood diseases.

22-23

WEDNESDAY

## S African constitution

South Africa's white-dominated parliament is expected to hold a final vote on the country's new constitution, passing it into law.

**US third-quarter GDP:** The final figures are due today. Preliminary figures showed gross domestic product up at an annual rate of 2.8 per cent, but were revised down 0.1 percentage points last month.

**German cost of living:** December cost of living indices for the biggest regions are due out today or tomorrow. November's index was revised downwards. Any further fall in the cost of living this month is considered unlikely.

THURSDAY

**CIS summit:** A two-day meeting of the Commonwealth of Independent States has been called in Ashkhabad, Turkmenistan. However, the current political turmoil in Russia makes it unclear whether the meeting will actually go ahead.

The summit is expected to discuss economic policy, and, in particular, common monetary issues in the aftermath of the collapse of the rouble zone.

**Holidays:** Japan marks Emperor Akihito's 60th birthday with a national holiday.

24-26

FRIDAY to SUNDAY

## UN chief to visit N Korea

United Nations secretary-general Boutros Boutros-Ghali is to meet North Korean leaders in the capital Pyongyang. He says his is a fact-finding mission and that he does not plan to mediate in the crisis over North Korea's refusal to open its nuclear facilities to international inspection.

DECEMBER 25

**Kuwait's state security court:** is due to deliver its verdict on 11 Iraqis and three Kuwaitis charged with plotting to assassinate former US President George Bush in April 1983.

DECEMBER 26

**Poll in Krajina:** Voting in presidential elections is being repeated in six districts of the self-styled Serbian state of Krajina, which covers one-third of Croatia. The second round follows alleged irregularities, when Serbian President Slobodan Milosevic's chosen candidate, Milan Martić, was unexpectedly beaten by Milan Babić, who opposes Belgrade rule.

Chairman Mao

China's revolutionary leader (left), who died in 1976, was born in the village of Shaoshan 100 years ago today. The state plans big celebrations.



Hopes are rising that this Christmas may bring closer an end to political violence in Northern Ireland

## Measures coming into effect on January 1 1994

**Trading partners:** The North American Free Trade Agreement comes into force, creating a single market comprising the US, Canada and Mexico.

Bolivia, Colombia, Ecuador, Peru and Venezuela, the Andean Group, plan to start a customs union. The first of its kind for developing nations, it will be a market of some 100 million people.

**The European Economic Area:** comes into being, linking the 12 European Union members and five Nordic and Alpine states in a giant single market.

**Greek presidency:** Greece takes over the rotating six-month presidency of the EU from Belgium.

One of the most pressing topics on the EU's agenda will be enlargement, with a March 1 deadline for completing negotiations for the admission of Norway, Sweden, Finland and Austria.

Emu part two:

European Monetary Union starts its second and penultimate stage. The European Monetary Institute - the embryo central bank - begins its work. The Belgian Alexander Lamfalussy (left) has been chosen to be its first president.



**Central bankers' banker:** The top job at the Bank for International Settlements in Basle, vacated by Alexander Lamfalussy's move to the EMI, is to be taken by Andrew Crockett, previously a director at the Bank of England. He has said he will focus on the problems associated with financial derivative instruments.

**Footloose and duty-free:** The value of duty-free gifts travellers within the European Union can bring home doubles to Ecu50 (\$100). For those returning from outside the EU, the allowance will rise to Ecu75 from Ecu45. Alcoholic drinks, tobacco or perfumes are excluded, being subject to volume limits.

Duty-free shopping on journeys within the EU is set to end on 30 June 1993.

**Road hauliers:** in the European Union will be freer, but slower. Restrictions on cabotage, the right of a haulier from one member state to pick up and deliver a load in another, will be eased.

Rules also come into force requiring new trucks of 12 tonnes gross weight and more to be fitted with speed limiters restricting them to 56mph (90kph). The UK already requires trucks of 7.5 tonnes or more to be limited to 60mph.

**Germans grit their teeth:** Taxation on oil products rises by up to 20 per cent (for petrol) and 13 per cent (for diesel), which means an extra 18 pence on a litre of petrol.

Child allowances are cut to DM70 (\$41) per child per month, and will be means-tested. Unemployment benefit will also be cut, by some 3 percentage points. Pension contributions are to rise to more than 19 per cent of gross income, to prevent the state pension funds sliding into the red.

**Trains set:** Germany's rail companies, the Bundesbahn in the west and the Reichsbahn in the east, are to unite as Deutsche Bahn. The railways will no longer be a statutory body, which paves the way for eventual privatisation, some 10 years down the tracks.

The government has agreed to assume the railways' debts, to be paid for by increased oil taxes. Next.

**Commercial agents:** The English Commercial Agents Regulations 1993 come into force, along with equivalent enabling legislative orders for Scotland and Northern Ireland.

These implement the 1986 EC Directive 86/653, giving commercial agents who act for UK principals in countries of the EU (formerly EC) greatly increased rights. These rights include increased security of contract, compensation for loss of office, and disclosure of confidential information concerning their principals' business.

Many British companies took the precaution of sacking their commercial agents in advance of the new regulations. The Irish Republic is due to bring the

directive into force from today as well. The other EU states have already implemented it.

Lloyd's goes corporate:

For the first time in its 300-year history, the Lloyd's of London insurance market (left) will accept corporate members. Previously, only wealthy individuals, the Names, who have put all their assets at stake in supporting the market have been members. Now, companies, institutions and private investors of more modest means will be able to benefit from limited liability.

**EIS supersedes BES:** The Enterprise Investment Scheme comes into being. It replaces the Business Expansion Scheme, set up in 1983 to encourage investment in trading companies. The BES became an easy tax break for higher earners, raising more than £3bn. Its successor is designed to be less generous.

**500-year malt:** Scotland's distillers have decided to designate 1994 the 500th anniversary of malt whisky, on the basis of a document dated 1594 which mentions materials supplied to a certain Friar John Cor "wherewith to make aquavilla".



## ECONOMIC DIARY

## Other economic news

**Monday:** The Organisation for Economic Co-operation and Development's latest half yearly Outlook is expected to forecast modest growth and rising unemployment in the industrialised world next year.

**Tuesday:** A majority of analysts expects the US Federal Open Markets Committee to maintain a neutral stance on monetary policy at its meeting today.

**Thursday:** In Japan, markets are closed for the emperor's birthday. In the US, minutes from the November 16 open markets committee meeting are released.

**Friday:** Most markets, other than in Japan, shut down early on Christmas Eve, or are closed for the entire day. In London, the stock exchange has a half-day session and Liffe closes at lunchtime.

The week between Christmas and the New Year is relatively quiet for statistics in Europe, although there is a steady stream from Japan and the US. In the UK, the British Bankers Association publishes monthly figures for mortgage lending.

The Japanese markets stay open until December 30, when they close after a half day of trading, and stay closed on December 31.

## Statistics to be released this and next week

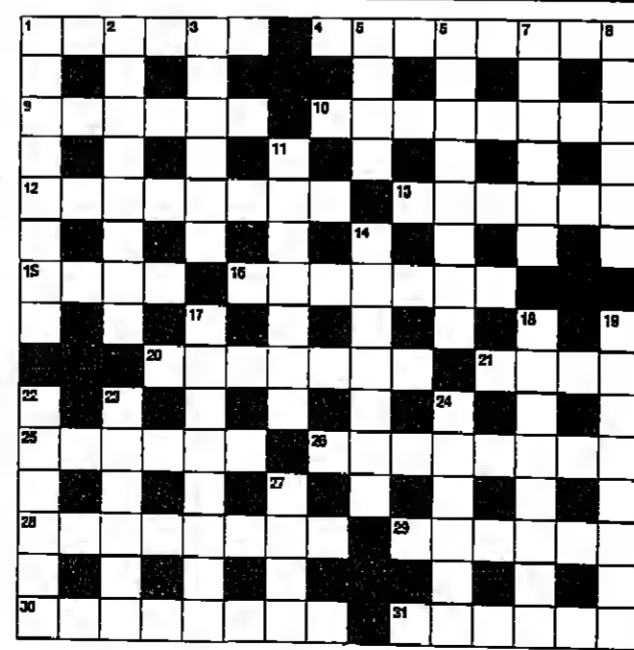
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Sept current a/c	-	-
Dec 20	France	Oct industrial production*	0.2%	-0.3%
	UK	Nov M4*	0.2%	1%
	UK	Nov M4**	4.7%	4.3%
	UK	Nov M4 lending	1.5bn	1.5bn
	UK	Nov bldg acty - net new commits.	£2.3bn	£2.6bn
	UK	National accounts, GDP third qtr*	1.9%	1.8%
	UK	Third qtr balance of payments	-£2bn	-£2.7bn
	UK	Non EU Nov trade	-£850m	-£293m
Tues	Japan	Oct coincident index	-	70%
Dec 21	Japan	Oct leading diffusion index	-	36.4%
	France	Nov consumer price index final**	-	2.2%
	Italy	Dec cons. price index - cities**	4.2%	4.2%
	Canada	Oct retail sales*	0.4%	-0.1%
Wed	US	Third qtr GDP final	2.7%	2.7%
Dec 22	US	Third qtr after tax corp. profit	0.8%	0.8%
	Canada	Oct wholesale trade*	1.5%	1.9%
Thurs	US	Nov durable orders	1.0%	2%
Dec 23	US	Nov durable shipments	-	0.1%
	US	Initial claims - w.e. Dec 18	330,000	330,000
	US	State benefits - w.e. Dec 11	-	2.7m
	US	Nov personal income	0.5%	0.8%
	US	Nov PCE	0.5%	0.8%
	US	Auto sales (Dec 11-20)	7.1m	7.1m
	Canada	Oct employment earnings**	1.3%	1.5%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
During the week...				
	Germany	Nov producer price index*	-0.1%	0.0%
	Germany	Nov producer price index**	-0.3%	-0.3%
	Germany	Oct trade balance	DM4bn	DM5.7bn
	Germany	Oct current a/c	-DM5.5bn	-DM2.2bn
	Germany	December cost of living (regional)*	-	-
	Germany	December cost of living (national)*	0.2%	0.3%
	Germany	December cost of living (regional)**	3.7%	3.7%
	Italy	Oct wholesale price index*	5.7%	6.6%
	Italy	Oct producer price index*	4.4%	4.3%
	Italy	Nov M2 3-monthly average**	8.1%	8.1%
	Italy	Nov bank lending**	1.9%	1.0%
	Sweden	Nov trade balance	Sk4.7bn	Sk4.4bn
	Spain	Oct producer price index**	3.0%	3.0%
	Belgium	Dec consumer price index**	2.4%	2.5%
Mon	US	Nov bank credit	-	-0.2%
Dec 27	Japan	Nov retail sales	-	-6.6%
	Japan	Nov industrial production	-	-5.1%
Tues	US	Consumer confidence	-	71.2
Dec 28	Japan	Consumer price index (national)	-	1.3%
	Japan	Unemployment rate	-	2.7%
Wed	US	Leading indicators	-	0.5%
Dec 29	US	Export/Import price indices	-	-
Thur 30	US	New home sales	-	678,000

\*month on month, \*\*year on year Statistics courtesy MMS International.

- ACROSS**
- Offer accommodation in subtle fashion (6)
  - Obstruct an attendant and there's a striking outcome! (6)
  - Checks fraud within the Civil Service (6)
  - A sailing man in some irritation getting under way (6)
  - Held back, being rather unsociable (6)
  - Club for which well qualified people run (6)
  - The guy making a point backed "economy with the truth" (4)
  - Confine an associate as a disciplinary measure (7)
  - Heavyweight men got a break (7)
  - Personification of youth in the best possible way (4)
  - Aren't they chasing money, so it's understood (6)
  - After fifty there's always time - such an advantage (8)
  - Neat girl's make-up, quite basic (8)
  - A person familiar with the law will get support first (6)

- DOWN**
- Getting rugs nice with special treatment (6)
  - Capital investment for a speculator's family (6)
  - Able to bring parking into use (6)
  - Little birds taken from the nest - it seems quite wrong (4)
  - Soft golden furniture that may be moved (8)
  - A claim correctly made (6)
  - High fliers below par (6)
  - Rew cut a figure (7)
  - The lorry-driver has gone in fighting! (7)
  - The adolescent brew green tea (8)
  - A story of never-ending euphoria (8)
  - Frustrated achievement indeed! (6)
  - The charge for simple casual sort of shirt (6)
  - Irregularly shaped petals of a delicate colour (8)
  - The city will give information to a woman (6)
  - Heel's affected piety (4)



## MONDAY PRIZE CROSSWORD No.8,336 Set by VIXEN

A prize of a Pelikan New Classic 350 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 30, marked Monday Crossword 8,336 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday January 4.

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Winners 8,324  
D.I. Craig, Heswall, Wirral;  
Mrs M. Brown, Bedford; Brian  
Coutanche, Felt Port, Jersey;  
Simon Dunning, Blenheim,  
Glasgow; Reg Mogg, Wanstead,  
London E11; Mrs William M.  
Rogan, Bronxville, New York,  
USA.

Solution 8,324  
LOCUST PROFOUND  
A O I O O B Y  
NEARLY SLOWDOWN  
DOUBTLESSLY  
R I F L E S  
MINERALOGIST  
V O U S E N N  
P A U N T R I T I O N  
P O R T O R N O  
O V E R C A M P E N T  
S O F T L A N D  
S O M E W H A T  
U E R T Y R E L  
M A I N T A I N E R S

The next Monday Prize Crossword will be on Monday January 8

"The secret to a long life  
is to stay busy,  
get plenty of exercise and  
don't drink too much.  
Then again, don't drink  
too little."

BERNARD F. QUICLEY,  
103-YEAR-OLD CALIFORNIAN



INTRODUCE SOME CALIFORNIAN INTO  
THE CONVERSATION.

E&J  
SINGLE MALT MATURED BRANDY.

Of broking and jolting the Pelikan's fond,  
See how sweetly he puts your word onto bond.

Pelikan

JOTTER PAD